Commission of Inquiry
into
Residential Tenancies

Government Intervention in Housing Markets: an Overview

Eric B. Adams
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Research Study No. 29

86-05308/

GOVERNMENT INTERVENTION IN HOUSING MARKETS:
AN OVERVIEW

by

Eric Adams
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Toronto

ACKNOWLEDGEMENTS

We are indebted to Carroll Brooks for the countless hours spent typing and revising the text, and to Patricia Rubin for assembling the sectional references and bibliographies.

Published by the Commission of Inquiry
into Residential Tenancies, April 1986

Printed in Canada

ISSN - 0823-4418
ISBN - 0-7729-1458-3

Copies of this report are available from
the Ontario Government Bookstore,
880 Bay Street,
Toronto, Ontario,
M7A 1N8.
Telephone: 416-965-6015; toll-free 1-800-268-7540;
area code 807, ask operator for Zenith 67200.

The views expressed in this paper are those of the
authors and not necessarily those of the Commission.

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EXECUTIVE SUMMARY

The purpose of this paper is to provide an overview of government intervention in housing markets. The paper is a combination of three separate staff research projects: rent regulation in Canada and foreign jurisdictions; housing programs, initiatives and related policies in Ontario; and the approval process for new rental construction.

Rent Regulation in Canada and Foreign Jurisdictions

Rent regulation, in most jurisdictions, originated during World War I and again in World War II when national governments enacted strict forms of rent control. Rents were frozen at the levels which existed when the wars began (or at levels which existed shortly thereafter) and rent increases were largely prohibited for the duration of the wars (and during reconstruction). The period after both wars was characterized by decontrol in which rents were allowed to adjust to market levels through gradual upward adjustments, selective lifting of control and vacancy decontrol.

In Canada controls ended by 1951 with the exception of Quebec and Newfoundland. Elsewhere attempts to return to a free market met with mixed results. In many jurisdictions (for example, Hong Kong and New York City), rents in the housing stock that existed at the time of the second war (Hong Kong-pre 1941, New York-pre 1947) continue to be controlled in some manner, while rent stabilization programs regulate rent increases in more recently constructed units.

Generally, rent regulatory legislation was enacted in many jurisdictions during the 1970s as part of national anti-inflation programs. Often, rents were initially frozen, or rolled back, and a variety of methods adopted to regulate increases in rents. These include mechanisms such as annual percentage increases permitted without approval, rent increases indexed to cost increases, and cost pass through provisions.

In jurisdictions where regulations have existed for a considerable time such as Britain, Hong Kong and New York City, base rents which reflect the cost of providing housing (as of some date) have been established. Rents are adjusted to these levels with subsequent rent increases, or increases in the base rents, predicated on current cost increases. Generally a rate of return measure is built into the base rent.

An explicit or implicit assumption by authorities where rent stabilization systems have been introduced is that owners were earning a normal or fair return when regulations were initiated. Subsequent rent increases based on cost increases are designed to maintain the net cash flow return (at levels existing when regulations commenced) in nominal or real terms. Relief or hardship provisions may be included for special circumstances. There are considerable variations among jurisdictions in the measure and methods of adjusting return on investment. For example, in Quebec, the return on the building is adjusted with respect both to the net income and to major improvements or repairs; in Australia, Britain and New York City, an allowance is based on the capital value of the building.

Some jurisdictions differentiate between continuing tenancies and new tenancies. For example, in Los Angeles, owners may adjust rents without approval upon tenant turnover. Thereafter, for the duration of the tenancy, rent increases are subject to regulation.

Many jurisdictions exempt new private sector construction after some date, or exclude them for some period of time. Others include new units only after initial rents are set. Public housing is exempt in most areas of North America while in Britain and Europe public housing is included often through some form of arbitration or income subsidy approach. Other common types of exemptions include: units in small, landlord occupied buildings, rent level exemptions and units in non-profit or cooperative projects.

Decontrol may be specified, or provided for, as part of the initial legislation, or incorporated by new legislation. The methods of decontrol include:

1. outright removal of regulations at the end of a specified period of time. There may or may not be provisions for gradual decontrol that include some of the remaining decontrol mechanisms;
2. decontrol on tenant turnover with no further regulation;
3. rent level decontrol;
4. geographic area, or building-type decontrol;
5. some combination of the above.

Housing Programs, Initiatives and Related Policies in Ontario

Although there were housing programs prior to the mid-1930's, federal government activity became a permanent feature of Canadian housing markets during the Depression. Government activity expanded from the mid-1940's until the end of the 1970's and exhibited shifts in focus during this interval. The initial emphasis was on employment and housing supply stimulation following World War II demobilization. Subsequent programs have operated within the broad policy objective of promoting the construction of new housing, the repair and modernization of existing housing and improving housing and community living standards.

During the fifties the emphasis was on increasing the volume of new construction with government joint loan and mortgage insurance programs aimed at ensuring the availability of housing finance. In the late fifties the federal government through its agent (Central Mortgage and Housing Corporation) began making direct loans to borrowers unable to secure private sector financing. In the late sixties and for most of the seventies, particularly with the emergence of provincial involvement (in the mid-sixties), the emphasis was on social housing and income redistribution. The federal, provincial and municipal governments implemented programs for public housing and improved non-profit and cooperative programs. Programs to address the housing needs of rural and native people were established.

Provincial and local government in addition to their role in the assisted housing sector perform an important role in the private rental and ownership sectors through planning and development regulations. Additionally, they may initiate housing policies in response to changing local market conditions and issues.

During the seventies a number of programs for both renter and ownership households were implemented. Public funds were used to reduce inflationary effects on rental construction with the provision of construction financing subsidies, rent regulations were implemented, and ownership programs were initiated for middle-income households experiencing difficulty in purchasing homes because of inflation. Several programs operated through the tax system.

Construction assistance programs have continued into the eighties as industry stabilization and economic stimulation measures. However, since the late seventies the emphasis of various levels of government is less on direct intervention and more on measures to improve the private sector operation. In part this has been due to financial restraint on all levels of government, and also, in recognition of a need for cost effectiveness and targeting of government expenditures to those persons requiring special assistance.

The Approval Process for Rental Construction

Relative to earlier periods when property owners had an inherent right to do what they wanted with their property, present municipal (and provincial) regulations and policies can have a significant constraining effect on land use. The present process of obtaining approval can take anywhere from several weeks to several years.

If the building permit plans are in conformance with the technical requirements of the Ontario Building Code and with area zoning by-laws, approval may be received between 4-8 weeks; if not, the time involved in the approval process increases according to the changes, hearings, degree of agency and public involvement, and appeals undertaken to gain approval. The approval process has the effect of increasing the cost of housing, by either:

1) creating a delay in construction if the builder takes on the process of obtaining approvals and incurs the costs of compliance, or

2) pushing up the purchase price of land if the developer prefers to hold out for appropriately zoned land.

Approval of services and facilities takes comparatively less time and, for the most part, the processing period overlaps with the construction period.

INTRODUCTION

This paper is a combination of three separate, staff research projects related to government intervention in housing markets. It was originally written in 1983 to serve as background material for the Inquiry's work. Portions have been updated to 1985.

Section 1 provides background information on the history, legislative development and regulatory features of rent regulation in Canada to 1985 (by province, with tables providing a summary of provincial regulatory systems and a catalogue of provincial legislation). Subsection 1.2 contains similar information for selected foreign jurisdictions to 1981 (in most cases). Published materials formed the basis for this section. Additionally, for the Canadian jurisdictions and for larger centres in the United States, such as New York City, written communications and telephone calls were made to verify the information or fill in any gaps.

Intervention by all levels of government in housing markets is extensive; rent regulation is but one form. Others include supply and demand initiatives such as construction and finance subsidies, homeownership savings and mortgage assistance programs, and housing rehabilitation programs. As well, provincial and municipal governments have established regulations concerning building standards, demolitions, zoning and land use controls, to name a few. Section 2 begins with an overview of various federal, provincial and municipal housing policy activities in Ontario. A catalogue of the major programs (past and present) affecting the ownership, rental, public, non-profit and cooperative housing sectors of Ontario is provided. Related government initiatives, such as rehabilitation, land assembly and infrastructure programs, are also included in the catalogue. Section 3 reviews the approval process for rental construction and serves to highlight the potential impact of this form of intervention and regulation. Janet Ortved is the sole author of this last section.

SECTION 1: RENT REGULATION: HISTORY, LEGISLATIVE BACKGROUND AND REGULATORY FEATURES

1.1 Canada (to 1985)

Rent regulation was first introduced in Canada during World War I (Shortt, 1947);(1) and again in 1940 as part of the federal government's Wartime Measures legislation. On September 11 of that year an Order-in-Council gave specific powers to the Wartime Prices and Trade Board to regulate the rents of residential accommodation as it was:

> Deemed to be in the national interest that safeguards under war conditions against undue enhancement of rentals and shortages of housing accommodation be provided.
> (Order-in-Council, P.C. 4616, as cited in Hamilton and Baxter, 1975, p. 7)

The Board was to determine the maximum amount of rent that could be charged, and to establish regulations regarding landlord-tenant relations.

Initially the regulations applied only to fifteen local markets where rents were frozen to the January 2, 1940 rent level. In April, 1941 guidelines were set to cover applications for a change in rent. The local Rent Committees assumed the power of a Commissioner under the Inquiries Act and could:

- approve rental increases
- vary rental maximums
- set a maximum rental

and it processed applications for evictions. The regional rental administrator had the power to enforce the regulations and investigate rent increases. He could also refer appeals to the Administrator of Rental Appeal in Ottawa.

In October, 1941 rents in the rest of the country were frozen. The regulations were administered by regional Rental Administrators who investigated rental matters, determined allowable rents, and regulated matters involving residential rental accommodation. Technical advisors and local Rental Committees investigated and adjudicated local complaints and applications for rental increases.

In November, 1941, the Wartime Prices and Trade Board established maximum rental regulations, effective December 1, 1941 which set a base rent of the October 11, 1941 levels except those units already limited to January 2, 1940 or as ordered by the Board.

Controls were extended in September, 1942 to cover boarding home charges for room and board. In December 1, 1942, controls were extended to cover rental or rooming accommodations.

Rules covering eviction were established in December, 1942:

> Thereby adding the security of tenure component required to make rent regulation effective. (Hamilton & Baxter, 1975, p. 9)

In October, 1943 regulations were enacted to cover maximum rentals for commercial accommodation.

By 1947, the federal government began to reduce its role in regulating rents by introducing decontrol measures. New dwellings became exempt after January 1, 1947. In May, 1947 a 10% rent increase was authorized for those landlords who gave a two-year lease. And in 1949, rents for heated accommodation were raised by 25% and for unheated by 20%. Security of tenure provisions were reduced to a specification of the notice period. No justification for eviction was required. Rent regulation was to end April 30, 1951.

The provinces, which had originally been unwilling to assume administrative or regulatory responsibilities, passed legislation to continue rent regulation under their own auspices. Legislation which permitted municipal councils to administer the basic provisions of the federal programs within the local area was the most common method used. Most provinces continued rent regulation into the 1960's -- Quebec and Newfoundland continued forms of controls to the present.

Across the border, the United States reinstated rent regulation in numerous jurisdictions nationwide between 1971 and 1973 as part of a general wage and price control program.

The Canadian government, likely facing the same pressures instituted an anti-inflation program in 1975. The Prime Minister announced on October 13, 1975 that the federal government was imposing mandatory wage and price guidelines. Since landlord-tenant relations fell under provincial jurisdiction, the federal government requested that the provinces establish rent controls in their jurisdictions. A policy statement tabled in the House of Commons by the Minister of Finance on October 14, 1975 included a section on guidelines for rents.

> The provincial governments are being asked to undertake responsibility for implementing a program of rent control based upon the following principles: (a) increases up to a certain percentage would be permissible, (b) increases above this percentage must be justified on the basis of increased costs, (c) new structures where rents have not been established would be exempt from control for at least five years after completion of the building, in the event that rent control should be in effect for that length of time. This is to ensure an adequate incentive for construction of new rental accommodation. (Canada, 1975, p. 19)

All of the provinces passed new legislation or amended existing legislation to control rents except British Columbia which had introduced a new program in 1974 and Quebec which already had rent control legislation in place. Most of the legislation was made retroactive, beginning on or prior to the government's announcement of the anti-inflation program. Alberta was the only exception; their legislation was effective December 31, 1975. With the exceptions of British Columbia, Quebec and Newfoundland, the provinces intended the controls to be temporary measures. The types of rent control systems varied from province to province.

Whether motivated by concern over stable and affordable rent levels in the presence of volatile inflation and increased demand for urban housing or the political attraction or awareness of a growing tenant population, a 'second generation' of rent regulations had emerged. The 'moderate' cost pass-through systems bore little resemblance to the strict rent controls necessitated by wartime housing shortages.

All of the provinces have had rent control or rent review in effect at some time since federal controls ended. Three provinces, British Columbia, Quebec and Newfoundland have the longest experience with controls. Quebec has had them continuously since 1951 and British Columbia introduced rent regulation in 1974. In Newfoundland, the Rent Restrictions Act which was part of the federal wartime measures, remained in effect until 1973 when new legislation created boards to review rents.

Alberta passed a Rent Decontrol Act in 1977 and as of July 1, 1980 there were no controls in the province. New Brunswick phased out rent controls completely by June 1979, but new legislation was enacted early in 1983. In Prince Edward Island and Nova Scotia, controls were intended to be temporary, but are still in effect. Manitoba decontrolled in 1980, but introduced new legislation to regulate rents in 1982. Recent legislation in Saskatchewan has extended coverage but places the onus on tenants to initiate a review. Rent regulation ended in British Columbia as of July 31, 1984. There are no rent regulation programs in either the Yukon or the Northwest Territories. A more detailed description of the history and the current status (to 1985) of rent regulation in the provinces, excluding Ontario, follows.(2)

1.1.1 Alberta

History:

In response to the federal government's request that the provinces assumes responsibility for rent regulation, Alberta passed the Rent Control Act in 1950, continuing rent control for rental accommodations built prior to 1947. The legislation expired on March 31, 1955.

On December 15, 1975, the Temporary Rent Regulation Measures Act was passed and received the assent of the Lieutenant Governor; it was effective as of January 1, 1976, for a period of eighteen months ending June 30, 1977 and applied only to units already rented in 1975. Guideline increases (permissable without approval) were set at 10 per cent for 1976 and 9 per cent for the six months of 1977. Approvals of increases in excess of the guideline were based on a cost pass through system related to operating and capital improvement costs.

Subsequent to notices of rent increases received by tenants in March of 1977, for July 1, 1977 the Rent Regulation Office received verified information indicating that in more than 15,000 rental units, rent increases between 24 and 48 per cent were planned (Alberta, 1981). The Rent Control Act was passed and received assent on May 18, 1977, to be effective July 1, 1977. While continuing rent regulation, the legislation contained rent-level decontrol provisions and a June 30, 1980 termination date. Rent decontrol levels of $375 per month for units with three or more bedrooms, $325 for two-bedroom units and $275 for units with fewer than two bedrooms were established. Any rental unit which reached the decontrol limit before June 30, 1980 became exempt from controls as of January 1, 1978 or six months after reaching the limit - whichever date was later.

During decontrol, guideline rent increases of 8 per cent (annually) were permitted. For the year 1977, a total increase of 9 per cent was allowed. Increases in excess of these levels were subject to cost pass through provisions. The legislation also allowed for upward revisions to the base rent under certain conditions.

Higher priced units were decontrolled under the assumptions that occupants could afford higher rents and that alternative accommodation was available to moderate rent increases. Regulations applied to lower-rent units for a longer period because of their preferred occupancy for low-income tenants (Alberta, 1981, pp. 44-45). According to Hamilton (1982), decontrol was accompanied by extensive housing development and income supplement programs.

Rent regulation ended in Alberta on June 30, 1982.

1.1.2 British Columbia

History:

British Columbia had rent controls as part of the federal Wartime Measures until April 30, 1951. In 1951, the province assumed responsibility for rent controls from the federal government. The Act to Provide for the Regulation of Leaseholds was repealed in 1954 and an Act Respecting Rent Control was passed which granted the right to municipal councils to establish rental authorities to administer and enforce rent regulations.

In 1970 the Landlord and Tenant Act was amended. Rent increases were prohibited in the first twelve months of any tenancy agreement and if a tenancy agreement provided for a higher rent than in a previous year, it was regarded as a new agreement and subject to the one-year limit. The effect was to limit rent increases to one-year periods for long-term tenants.

A 1973 amendment to the Landlord and Tenant Act removed the incentives to evict a tenant in order to raise the rent, by tying the one-year limit to the unit rather than to the tenancy agreement.

On May 3, 1974, The Residential Premises Interim Rent Stabilization Act was enacted primarily as a response to declining apartment vacancy rates and rising rents. The purpose of the Act was to protect tenants from "massive and unwarranted rent increases". The Act was made retroactive to January 1, 1974 and initially rents were frozen for one year. The Act was quickly amended to allow an increase of 8% over the 1973 rents. No enforcement mechanism was included in the Act, but a Rentalsman was appointed to administer the system.

In 1974 the Cragg Report was commissioned to identify the principles and methods to be followed in determining the maximum permitted rent increase. Cragg's report recommended a variety of rates and a "cost oriented" model of determining the maximum rental increase.

Effective October 1, 1974, rent control provisions were included as part of the Landlord and Tenant Act (subsequently repealed and replaced by the Landlord and Tenant Amendment Act, 1974). The Attorney General appointed a separate Rent Review Commission to administer rent controls while the Rentalsman retained jurisdiction over other landlord-tenant matters.

The maximum allowable rent increase was prescribed in the amount of 10.6 per cent effective January 1, 1975 on the basis of an "operating cost index" approach. Rent increases beyond that amount were allowed for renovations costing more than 25 per cent of the annual gross rent passed through in annual 12 per cent (of renovation cost) increments. Principal exemptions from controls included:

- those units renting for over $500 per month
- new construction for 5 years
- buildings containing 2 units, one occupied by the landlord
- those units where an agreement by the landlord with the Commission existed to regulate rents for five or more years.

In 1977, the Residential Tenancy Act replaced the Landlord and Tenant Act. A process of gradual decontrol began. The maximum rent for controlled units was lowered to $400 per month. The provision restricting new unit exemption for five years only was eliminated.

In 1978, the maximum rent was reduced such that bachelor/one bedroom units were set at $300 per month and two or more bedrooms at $350 per month, and anything above these levels was decontrolled.

Effective January 1, 1980 a two-part rent regulation system was established. Fewer existing units remained under rent control while rent review was introduced for the majority of units. Certain units were exempt from both rent control and rent review.

British Columbia has had a computerized rent increase registry since 1975. Landlords were required to report every rental rate increase on a special form giving details of the unit, such as cost and type of unit. The operation of the system cost about $450,000 annually.

In July, 1983, British Columbia introduced, as part of a broad restraint program, Bill 5, the Residential Tenancy Act (this was withdrawn because of transitional conflicts and replaced by Bill 19). Effective July 7, 1983, rent control ended and rent review was to be phased out. Tenants who received notices of rent increases in excess of 15 per cent and whose rent was less than $500 per month could still apply for rent review. The Office of the Rentalsman was to be eliminated with the transfer of jurisdiction in disputes to the courts. Landlords were given the right to terminate a tenancy without cause. Obligations to file notices of rent increases ended.

Rent regulation in British Columbia ended with the repeal of rent review as of July 31, 1984. Any buildings which went to review within the year preceding the expiry date must wait 12 months (from the time of allowed rent increase) before raising rents again. At that time these units are no longer subject to rent regulations and can raise rents according to market conditions. Units which did not receive rent increases in the 12 months preceding the expiry date are effectively deregulated at the expiry date.

The balance of this section provides a review of the system effective January 1, 1980 and prior to July, 1983.

Mechanism:

The original format of rent controls provided a system of "cost flow through" where the regulated maximum increase was set to cover estimated increases in operating costs and increased financing costs.

Controlled:

Units renting for less than specified limits were subject to control. Controlled unit limits of $300 (1 bedroom or less), $350 (2 bedrooms) and $400 (3+ bedrooms) per month were established. The maximum allowable increase was 10% for controlled units, but the landlord could obtain a larger increase by application to the Rentalsman if: the mortgage had been refinanced at a higher rate, there had been an unusually large increase in operating costs, his rents were low relative to comparable units, or by making "eligible expenditures". In the latter case, tenants could file a notice with the Rentalsman requiring the landlord to apply for review. If the landlord had made major improvements or repairs, 18% of the total cost of the improvement may be added to the 10% basic increase. The 18% increase must be spread out over the year. The rent may be increased only once in 12 months.

Rent Review:

Rent review (tenant appeal of excessive proposed increases) applied to all units first rented prior to January 1, 1974 where rents were less than $700 per month, but exceeded the controlled levels and to all units first rented after January 1, 1974 which did not rent for more than $700 per month. The tenant could appeal "excessive" increases and only one increase was allowed in a 12-month period. When a unit became vacant, rents could be increased by any amount for the incoming tenant even if it meant more than one increase in a twelve month period.

All other units were free of rent controls and review. All new construction since 1974 was exempt from rent control (the original 1974 act exempted new construction after 1974 for the first five years).

Other exemptions included:

- any unit in which there are only 2 units, one of which is occupied by the landlord
- recreational premises
- premises operated by B.C. Hydro or Ministry of Forests for their staff
- units owned/operated by nonprofit societies or educational institutions
- units in which the landlord has lived for twelve consecutive months (beginning July 1, 1980) or twenty-four consecutive months (January 1, 1972 - June 30, 1980)
- units renting for more than $700 per month.

1.1.3 Manitoba

History:

Manitoba had rent controls as part of the federal wartime measures until 1951 and kept them on until the early 1960s. In 1970, the province amended its Landlord and Tenant Act. Although the provisions of the Act included establishment of a binding rent review system, the section was not proclaimed. Responsibility for mediating landlord-tenant disputes was assumed by the Rentalsman.

On May 15, 1976, Manitoba passed the Rent Stabilization Act as part of the government's effort to combat inflation and to comply with the federal anti-inflation program. The legislation was retroactive to July 1, 1975. In the summer of 1978, the Rent Stabilization Act was amended to provide for the gradual removal of rent controls from residential premises. The Rent Stabilization Act was in effect until June 1980 when the 1976 and 1978 Acts were repealed by an Act to Amend the Landlord and Tenant Act and the Condominium Act.

The 1976 legislation provided for an allowable percentage increase in rent and cost-pass-through based on expenses. Expenses included recurring costs, and maintenance and repair. From 1975 until September 1977 hardship was given no consideration, but in October 1977 a cash flow deficit was eligible for an extra 3%. Increased costs due to refinancing became a cost-pass-through in October 1977, but rate of return was not considered. Only one increase was permitted per year. Buildings first occupied as of January 1, 1976 were exempt as were hotels, motels, boarding houses, units renting for more than $1,000 a month and some renovated premises (for four years). Rents were only "registered" (i.e., a file was set up) only upon tenant complaint or upon application by a landlord for a rent increase above the guideline. The onus was on the Rent Review Officer to get the information he needed to decide on a fair rent.

Gradual decontrol began in 1978. Premises outside of Brandon and Winnipeg were automatically decontrolled as existing leases expired after September 30, 1978. Within Brandon and Winnipeg landlords could apply for exemption (thus, decontrol) where:

- a unit was voluntarily vacated on or after September 30, 1978; or
- the monthly rent preceding October 1, 1978 was equal to or exceeded $400.00; or
- the first occupancy permit for a building was issued on or after October 1, 1973.

Rent regulation ended in June 1980 when An Act to Amend the Landlord and Tenant Act and the Condominium Act repealed the 1976 legislation and 1978 amendments. Changes to The Landlord and Tenant Act in July, 1980, established a mediation and arbitration process for tenancy contract disputes including rent increases.

On August 1, 1982, the Residential Rent Regulation Act was proclaimed. The re-introduction of rent controls had been one of the policy platforms upon which the New Democratic government had been elected. The Act established the Rent Regulation Bureau as the administrative body responsible for rent control and the Act was made retroactive to January 1, 1982.

As of January 1, 1982, rents could be increased without approval by an amount set annually by regulation. In 1982, 9 per cent was the limit, in 1983, 8 per cent, and in 1984, 6 per cent. For 1985, 4.5 per cent was the limit.

Mechanism:

Landlords were required by the Act to apply for approval of all rent increases taken on or after January 1, 1982 where the increase exceeded the annual guideline. Tenants have the right to object to any rent increase and landlords can apply for an increase above the guideline.

Principles:

The 1985 guideline increase of 4.5 per cent had two components: 3 per cent to cover operating cost increases, and a 1.5 per cent economic adjustment factor which was designed to provide adjustment for inflation and mortgage interest rate changes. The earlier guideline increase components varied with the overall guideline increase. For example, in 1983, the guideline increase of 8 per cent was comprised of a 5 per cent operating cost factor and a 3 per cent economic adjustment factor.

A landlord seeking a larger increase must apply to the Rent Regulation Bureau. Tenants may dispute any proposed increase whether below, at, or above the guideline amount. Unless there is a voluntary change in tenancy, only one increase is allowed in a twelve month period. Both the Bureau and new tenant must be notified of the new rent.

New construction is exempt for a period of five years (effective January 1, 1978), buildings in which the first occupancy occurred after January 1, 1978, are exempt for five years and approved rehabilitation projects are exempt for up to 5 years. Section 33(5) of the Act prohibits conversion of a rehabilitated property to condominiums for a period of five years after the date of exemption.

Units with monthly rents of $700 or more as of December 31, 1981 were exempt ($1,000 in the 1976 Act). This was raised to $756 as of December 31, 1982 and to $801 as of December 31, 1984. Additional exemptions include residential units in:

- hotels or motels
- seasonal or vacation properties
- boarding houses
- nursing or personal care homes
- education institution properties
- public housing
- Indian reserves.

Except for sections related to notices, information, penalties, and conflicts with other Acts, the Act does not apply to residential premises in:

- cooperatives
- low rental housing projects owned by limited-dividend companies under NHA agreement.

The new legislation made changes in the types of expenses to be considered by the Rent Regulation Bureau in determining an increase. The financial position, including mortgage payments and interest, is now considered (where there is 25 per cent equity). An economic adjustment factor of 1.5 per cent (in 1985) will be considered, if no cash deficit position exists, to offset the effects of inflation. Where there is a cash deficit position, 1.5 per cent of rental income or 1/3 of the deficit, whichever is greater, will be considered. These increases are in addition to the increase in operating (i.e., property tax, utilities, repair, maintenance) or capital costs. Major repair work or equipment purchase is to be considered a capital expense. Only a portion of the cost can be claimed depending on the nature of the expense. The portions allowed are:

- one-third of the acquisition or replacement cost of curtains, drapes, furniture and exterior painting
- one-quarter of the acquisition or replacement cost of air conditioning units, carpets, dishwashers, washers, dryers, refrigerators, garburetors and tools, equipment and parts (which have an individual price of more than $100)
- one-sixth of the cost of cablevision and electrical wiring, heating units, intercom systems, landscaping, parking lot paving and expension, roofing, swimming pools, water heaters, aluminum siding, plumbing and central alarm systems.

A rent regulation officer may include all the units in a building or complex of buildings in dealing with an application or objection under the Act, with the approval of the Director of the Rent Regulation Bureau. Additionally, the rent regulation officer has some discretion to adjust rents in a building or complex:

- by an equal percentage; or
- by an equal dollar amount; or
- by amounts which equalize the rent payable for similar premises in the building or complex; or
- by amounts which reduce existing differences between similar premises in the building or complex;

as long as the total as determined in the review is not exceeded. There is no recourse for either landlord or tenant to these adjustments once they are in effect.

Registration of rent is now required each time a rent is increased, even for properties exempt from the legislation. Every notice of increase in rent must be served on a tenant at least three months in advance of the effective date. A copy of the notice must be sent to the Rent Regulation Bureau within fourteen days of service on the tenant.

The "Notice of Rent Increase" form, which the landlord completes, provides information on the current rent, the proposed increase, the services (i.e., hydro) included in the rent and the effective date of the increase, as well as information on the unit itself. The maximum allowable increase permitted under the Act is stated on the form as is a statement of the tenant's right to object to the increase within one month of reviewing the notice.

A separate form, the "Notice to New Tenants," is to be completed for all new tenants and a copy is sent to the Bureau.

The Rent Regulation Bureau staff checks the forms manually to ascertain whether the information complies with the guidelines. If the rent increases are above the guideline, or if the landlord has incorrectly identified the unit as exempt from control, the Director will follow up. Unless a tenant complains, the data submitted on the forms is not checked for accuracy.

The penalty for non-compliance is either a fine (between $100 and $1000) or prosecution by an appeal panel (where the landlord could be required to pay back the excess rent with interest).

The information on file in the rent registry is available only to tenants.

In Manitoba, decisions on rent increases are generally made on the basis of written submissions. Copies of the rent regulation officer's recommendations are sent to the parties concerned. Any party may appeal the recommendation within 14 days to the Coordinator of Appeals and a hearing is held. The same factors are considered in reaching a decision. Decisions at this level may be appealed to the Provincial courts on a question of law or jurisdiction.

1.1.4 New Brunswick

History:

New Brunswick had rent controls as part of the federal wartime measures and in 1951 the Municipal Rent Control Act was passed giving local authorities the power to impose municipal rent controls. None chose to implement controls.

On February 2, 1976, the Residential Rent Review Act was proclaimed. It had been introduced in 1975 in conjunction with federal wage and price guidelines and was designed to remain for a limited term only. Beginning in late 1977, there was a gradual phasing out of controls and by June 30, 1979, the entire program had been phased out.

On January 1, 1983 the Residential Tenancies Act came into effect. The legislation had been prepared ten years previously, but was not proclaimed until 1983. The Act made fundamental changes in the rights and responsibilities of landlords and tenants and in the remedies available to them.

On June 22, 1983, the Residential Rent Review Act was introduced in the Legislative Assembly. The Act was proclaimed on July 15, 1983. The Residential Tenancies Act and Rent Review Act were administered by the Office of the Rentalsman under the Consumer Affairs branch of the Department of Justice.

Principles:

The new Act applied to all rent increases taking effect after August 31, 1982. Any change or discontinuation of a service, facility or privilege or any charge levied in addition to rent, such as bonus charges or key money was considered an increase in rent.

The Act applied to any house, dwelling, mobile home (or land leased as a mobile home site), apartment, flat, tenement or similar individual residence. The Act did not apply to the following premises:

- new residential premises occupied after August 31, 1982, unless part of a building contained other units already rented
- public housing, subsidized rental family and senior citizen housing, limited dividend housing or non-profit housing
- special care homes
- residential premises provided by an educational institution
- business premises with attached accommodations
- boarding houses and vacation homes.

Nor did the Act apply to a rent increase where the premises had not been rented during the previous twelve month period or if the landlord had made major renovations and the rent increase was the first since the work was completed. "Major renovations" were those valued at not less than 25% of the original cost of the premises being renovated plus capital improvements.

The landlord was required to give the tenant notice of an increase in writing two months in advance. If the increase exceeded the allowable percentage (6% in 1982 and 5% in 1983), a tenant could file an application for review of the increase with the Rentalsman. A hearing was held in which the onus was on the landlord to justify the increase in rent. After holding a hearing the Rentalsman could:

- approve the increase (if he was satisfied that "reasonable" expenses justify the increase)

- disapprove the increase (if the landlord had not given proper notice of an increase or if the rent had already been increased within a 12-month period)
- reduce the rent to an amount not less than the lawful rent charged before the increase (where he was not satisfied that the increase was wholly or partially justified).

Whole building review or review of a complex of buildings could be carried out at the discretion of the Rentalsman. Rents could be increased no more than once in any 12-month period after August 31, 1982, although provision was made in the Act to allow for a subsequent increase for "extraordinary hardship" upon application by the landlord.

No rent registry was established, but a new tenant had to receive a notice in writing stating the rent or rents paid in the previous 12-month period. The tenant could, within 15 days of the notice, apply to a rentalsman for a review of the increase in rent if he felt that the increase violated the Act or was subject to review under the Act.

Rent increases were to be identified with the rented premises, rather than with the tenants. A new landlord would be subject to the Act for all rents charged for any rental period after August 31, 1982.

The intent of the legislation was to ensure that tenants were not subject to unfair rent increases and to allow landlords to earn a fair return on investment by allowing for legitimate cost increases. When the 1983 Act was introduced, landlords were believed to have adjusted rents sufficiently, subsequent to the termination of the earlier legislation, to be earning a normal return. Landlords did not have to apply for a rent increase and legitimate costs could be passed on to the tenant.

A section was included in the Act covering retaliatory eviction. A notice of termination of tenancy could not be served by a landlord from the date of application for a review until three months after the day a rentalsman made an order or a decision, unless a landlord could satisfy the Rentalsman that the notice was not related to the tenant's application or any other action to enforce his rights.

Application for rent review was made to the Rentalsman. However, the Rentalsman's order or decision could be appealed to the Chief Rentalsman and a hearing will be held. The decision of the Chief Rentalsman was final and not subject to appeal or review. The final appeal body was the Court of the Queen's Bench of New Brunswick, but application could only be made on the grounds that the order or decision was made without jurisdiction or on the basis of an error of law.

The allowable statutory rent increase was 6 per cent for 1984 and was 6 per cent for 1985. In the summer of 1984 the section of the Act concerning the expiry date was amended to indicate clearly that the Act would be repealed as of August 31, 1985, as it was.

Under the Residential Rent Review Act of 1976, a landlord had to make application three months before an increase. If the increase fell within the guideline, it was approved automatically. If the increase was more than the guideline, the Rent Review Officer analyzed the previous and projected expense and income statements and a decision was made. The factors considered in allowing the increase were:

- maintenance costs (cost-pass-through)
- initial financing.

No increase was allowed based on any type of refinancing.

1.1.5 Newfoundland

History:

The Rent Restrictions Act of 1943, Newfoundland's wartime rent regulation legislation, was still effective when Newfoundland joined Confederation in 1949. The Act remained in force until it was repealed in 1973.

On May 31, 1973, The Landlord and Tenant (Residential Tenancies) Act was passed. The Residential Tenancies Boards were empowered to review the rent charged for any residential premises at the written request of the landlord or tenant to approve or vary the amount of the rent and to mediate landlord-tenant matters and disputes. No criteria were established for setting the rent.

On February 22, 1977, the Act was amended to allow the Residential Tenancies Boards to set a unit's rent for the period of one year at the written request of a landlord or tenant. Another amendment passed on June 6, 1980 excluded:

- government (social assistance) premises; and
- government subsidized premises.

Principles:

Each case is judged on individual merit. The Board will hold a hearing, where the landlord and tenant may appear. The Act provides that in setting rent, the Board take into account the following four factors:

- return on investment
- market value
- operating expenses
- quality of life and shelter.

In order to determine market value, the landlord completes a financial data sheet and must bring to the hearing, his most recent financial statement, the budget for the coming year as well as an independent appraisal of the property, sufficient to indicate a market value.

In order to determine "quality of life and shelter", the landlord and tenant make statements at the hearing. A building inspector from the Landlord-Tenant Relations Division also gives evidence at the hearing.

It is in the landlord's best interests to supply documentation justifying his increase since he will not get the increase if his costs cannot be justified. According to the Director of Landlord-Tenant Relations, the landlord generally gets the increase he is asking for, based on the four factors.

1.1.6 Nova Scotia

History:

Nova Scotia assumed the responsibility for rent regulation from the federal government in 1951. The Housing and Rentals Act was passed permitting local councils to establish municipal rental authorities with the power to fix maximum rents for residential accommodation. The Council in large urban areas, such as Halifax, Yarmouth and Sydney, did attempt to enforce rent controls, but they had little success (Hamilton and Baxter, 1975).

The Nova Scotia Residential Tenancies Act, proclaimed in 1970 provided for the establishment of residential tenancy boards. Rent review was conducted on a case by case basis at the request of a landlord or a tenant.

On December 22, 1975 a new temporary statute, the Rent Review Act, superseded the 1970 Act. The legislation was introduced as a response to the federal government's anti-inflation program. The Act established a Rent Review Commission whose purpose was to review all rent increases that exceeded a specified percentage of the previous rent.

Regulations established by the Governor in Council set maximum allowable increases without approval of 8, 6 and 6 per cent for 1976, 1977 and 1978. The Act was originally intended to end in December 1977 but was amended in 1977 to provide for an indefinite extension of rent regulation. Under the amendment, annual permitted rent increases without approval are established by regulations, by the first of September prior to the effective year. The permitted increases for 1979-82 were 4 per cent, 6 per cent for 1983 and 1984, and for 1985, the increase is 6 per cent.

New construction after October 1, 1975 was initially exempt from the legislation. Effective January 1, 1983, residential premises are exempt (under provisions of section 38(b)) for the calendar year the unit was first occupied and for the following three years. Other exemptions include:

- universities and colleges
- hospital, nursing homes and licensed maternity homes
- hotels
- boarding houses
- public housing.

Nova Scotia has had a rent registry in operation since 1976. All landlords renting residential premises, regardless of exemption status, must register their property with the Rent Review Commission. Approximately 90 per cent of rental units are registered. Most of those not registered are basement units and flats in rural areas.

On November 9, 1982 a public inquiry relating to the review of rent increases was initiated (The Commission of Inquiry on Rents). Reporting on September 20, 1983, the Commission made nineteen recommendations. These included:

- standard lease form
- security deposit to be held in trust by the Residential Tenancy office
- security of tenure
- one increase in a twelve month period
- compensation for work performed by landlords
- restrictions on condominium conversions
- encouragement of co-operative housing programs and exemption from the legislation.

As of February 8, 1985 all recommendations had been implemented except for that concerning the future of rent review. That recommendation (Nova Scotia, 1983, p. 102) stated:

> We recommend that the government undertake a gradual phasing out of rent review over a period of five (5) years as long as an aggressive program of providing housing at rentals which can be afforded by citizens of limited income has been completed.

Mechanism:

Landlords may raise rents once in a twelve month period. A "Notice of Increase" form must be completed for all proposed rent increases regardless of exemption status and whether or not the increase is within the guideline. The original must be sent to the tenant three months in advance of a proposed increase; a second copy sent to the Rent Review Commission two months in advance. If the increase is within the guideline, the new rent will be automatically approved and recorded in the landlord's file. If the increase sought is greater than the guideline, or if services have changed, the

Commission will refer the file to a Residential Tenancy Officer for review. In this case, a "Landlord's Property and Financial Information" form and supporting documents are to be included with the "Notice of Rent Increase".

Review Principles:

In reviewing a proposed increase in excess of the guidelines and to determine the approved rent increase, the following factors are considered:

- previous rent increases
- increasing operating expenses
- financing cost increases (decreases)
- prior year financial loss spreading contingent upon reason for loss
- financial losses subsequent to a recent purchase (with 85% limit on debt financing) are spread over a 3-5 year period once any existing financial loss recovery period ends
- amortization of capital expenditures (for renovation, improvements and major repairs) at, or less than, the current prime rate
- return on investment
- changes in services provided or unauthorized (illegal) rent increases
- other matters as prescribed by the regulations.

Adjustments are made to standardized cost increase factors such as interest rates, utility costs, wages etc., as necessary, to reflect market conditions.

Consideration of return on investment is designed to ensure that the landlord's rate of return on investment from the previous year does not decline. If documented by the landlord, consideration is given to a decline in return since 1975. In calculating a return, the Residential Tenancy officer uses the following formula:

Market Value (1985) = Assessed Value for 1984 + 5% for 1985

Owner's Equity = Market Value - Encumbrances

$$\text{Return on Investment} = \frac{\text{Operating Income}}{\text{Owner's Equity}} \times 100$$

where

Assessed Value can be the municipal assessed value, an appraised value, or as determined relative to recent market sales prices;

Encumbrances include outstanding claims on the property (such as a first mortgage) and are increased by the total allowances for capital improvements (which in succeeding periods are reduced by the allowed write-off).

In some cases, a Residential Tenancy officer may determine that a hearing is necessary to clarify the landlord's submission in support of a rent increase in excess of the guideline. If a hearing is not deemed necessary, a tenant may make a written submission and view the landlord's application. Landlords have generally standardized the effective rent increase data for their units to the beginning of the calendar year. The decision to conduct whole building review hearings to determine rent increases for all units in a building is made at the Commission level.

Independently, of the review process initiated by a landlord's application, tenants can initiate a review if they believe the true proposed increase is in excess of that authorized by the Act.

Landlords and tenants can appeal at the Commission level within fifteen days, on a question of fact and/or a question of law, a decision by the residential tenancy officer. The decision of the Commission is final and may be made an order of the Supreme Court of Nova Scotia. Decisions of the Commission can be appealed within thirty days to the Appeal Division of the Supreme Court.

1.1.7 Prince Edward Island

History:

After the federal government terminated its role in rent regulation in 1951, the province passed the Housing and Rentals Act granting power to any city or town council to "make bylaws for the regulation of maximum rentals for housing accommodation". In 1972 a new Landlord and Tenant Act was passed which had a section prohibiting rent increases during the first year of a tenancy agreement or for a period of one year during which the agreement is renewed.

The Rent Review Act, passed in 1975, established the office of the Rentalsman and froze rents from October 14, 1975 to December 31, 1975. As of January 1, 1976 increases of up to 8% were allowed. Under the legislation the provincial cabinet, by Orders in Council, can fix rates of increase each year. On July 12, 1978, the Act was amended to extend regulations indefinitely. As of January 1984, rent increases have been limited to 3 per cent annually. Any landlord wishing greater than 3 per cent must apply to the rentalsman. If rents were not increased in the previous calendar year, landlords are allowed a 5 per cent increase. Prior to January, 1984, allowable increases were higher for units where heating costs were included in the rent than for units where heating was separate.

In 1980 the Rentalsman's office was given the responsibility for administering the Landlord and Tenant Act and in 1981 the office was integrated with P.E.I. Housing Corporation. The Housing Corporation is responsible for delivery of housing programs and services to the province. On June 7, 1983, new legislation, the Residential Tenancies Act, passed first reading in the Assembly. The proposed legislation would repeal part of the Landlord and Tenant Act, 1974 as well as the Rent Review Act of 1975. However, the assembly called a recess on June 23, 1983 without further progress being made on the bills. The law respecting the review of rent increases would change from the allowable percentage increase with approval of an increase over the allowable percentage to a review only at the request of the tenant. As of February, 1985, this legislation was still on hold.

Mechanism:

All landlords of residential properties and mobile home lots must apply for approval of rent increases beyond the allowable annual percentage.

Principles:

A landlord may apply for approval of a rent increase in excess of the guideline, if operating and capital expenses will exceed that amount. A tenant may dispute any rent increase requiring the landlord to apply to justify the increase if an agreement cannot be reached between the tenant and landlord. Where proposed rent increases affect more than one unit in a building, one hearing may be held for review purposes but rent increases are determined only for those units having received rent increase notices.

When a hearing is held to consider an increase above the allowable percentage amount, the factors considered by the Rentalsman in making a decision are:

- operating costs
- maintenance expenditures
- financing costs
- profit or loss of the landlord
- capital expenditures
- changes in services provided
- quality and maintenance standards
- previous rent increases.

The rent may be increased only once in a 12-month period and the landlord must provide a new tenant with the previous rent, present rent and services to be provided. Both residential and commercial premises are covered by the Act, including mobile homes. The premises exempt from the Act are:

- public housing
- non-profit housing
- commercial units (where rent is a percentage of sales under the tenancy agreement).

A landlord or tenant, who was present at a hearing, may appeal the decision of the Rentalsman to a judge of the Supreme Court.

1.1.8 Quebec

History:

In 1941 rent control was introduced across Canada as part of the federal wartime measures. In 1951, the federal wartime measures were withdrawn and Quebec passed an Act to Promote Conciliation between Lessees and Property Owners. The Act had a specified duration of two years, after which it had to be renewed annually. A tribunal called the Commission des loyers was created. The provisions applied mainly to buildings constructed prior to 1951 and to apartments where the rent was below a certain level.

A 1962 amendment was passed allowing the Lieutenant-Governor in Council to permit a municipal council to withdraw the municipality from the provisions of the Act.

In 1963 the Act was amended to apply to 33 specific towns and cities set out in the legislation and only to those units for which the rent on December 1, 1962, on the Isle of Montreal, was $125 or less and $100 or less elsewhere. An amendment in 1968 permitted a municipal council to recommend that the Lieutenant-Governor in Council place all or part of a municipality under the Act. Municipal councils were also permitted to extend existing rent controls to buildings constructed between May 1, 1951 and April 30, 1968 and to raise the rent ceiling at which rent controls could be applied to any level they chose. Few municipalities took advantage of the latter provisions (B.C., 1975, p. 383).

In July 1972 an attempt was made to reform the rent legislation with Bill 59. Among other features, rent increases would be limited to 5 per cent in a twelve month period; tenants could still contest the increase. In December 1972 the bill was withdrawn. Bill 78 (to replace the law on the Rent Board) and Bill 79 (a reform of the Civil Code of Rental Property) were introduced.

Bill 280 was passed in February 1973. It was interim legislation designed to prevent excessive rent increases during 1973, was retroactive to January 1, 1973 and applied to all rental units.

In July 1973 Bills 78 and 79 were withdrawn.

The government introduced Bills 2 and 3 in December 1973. The bills were hastily amended, becoming no more than the annual renewal of the old Law of Conciliation, except that the Act was extended to apply to all rental housing. (B.C., 1975, p. 384) They were passed December 21, 1983.

Bills 78 and 79 were introduced and passed in November 1974. They were simply the annual renewal of the old Law of Conciliation, except that they provided for the exemption of new housing for a five year period.

In December 1977 the government embarked upon the reform of the controls and the Commission des loyers, and extended the jurisdiction to rooms, low rental housing and land for mobile homes.

Bill 107, An Act to Establish the Regie du logement and to amend the Civil Code, came into effect on October 1, 1980 replacing the 1951 act. The Act amended the Civil Code to provide for a description in the Civil Code of the process whereby rents can be determined. The Regie du logement replaced the Commission des loyers.

On June 18, 1981, Bill 20, An Act to Amend the Civil Code and Certain Legislation in Respect of Housing was passed and Bill 41, An Act to Amend the Act to Establish the Regie du logement and to Amend the Civil Code and other Legislation, was enacted on December 19, 1981. The changes were procedural and administrative in nature.

Mechanism:

The Regie's intervention is a last resort with the dual purpose of controlling excessive rent increases and granting those which seem reasonable. Negotiations are encouraged between landlords and tenants to reach a settlement on the amount of a rental increase. There is no fixed rate of rent increase and no allowable limit. The Regie has the power to determine the rent increase it deems equitable.

The Civil Code has been amended to ensure security of tenure. Tenants have a right to lease renewal unless they are in arrears on the rent, have violated some material convenant or the landlord wants the dwelling for his use or that of his immediate family. Quebec is the only province which protects family access to rental housing. Provision is made in the Civil Code prohibiting discrimination against children.

For new tenants, Article 1651.2 provides that the landlord must give the tenant, at the time the new lease is made, written notice of the lowest rent paid (or as fixed by the Regie) during the twelve months preceding the beginning of the lease. A tenant may, within 10 days of making a lease, or if the landlord fails to provide the tenant the required notice, within two months of the making of the lease, apply to the tribunal to revise the rent if it appears that the new rent is higher than the lowest rent paid during the preceding year, unless that rent was fixed by the tribunal (Article 1658.10).

Article 1658 of the Civil Code provides, if the lease is in effect for a fixed term, that it will be extended as a right on the same terms and conditions to a maximum of twelve months. The parties may agree to a different period of extension. A landlord can increase the rent, change the term or change another condition of the lease if a notice to that effect is given to the tenant. The time periods for service of the notice vary depending on the original term (at least 3 months prior to expiry in the case of one year or longer leases).

Tenants may either terminate the tenancy (by notification) or, within one month of receiving the landlords notice, notify the landlord of an objection to the increase or change. The landlord, within one month of such a notice, may apply to the Regie du logement to have the rent fixed or a ruling on the changes.

Principles:

When negotiations between the landlord and tenant fail and the Regie receives an application for determining the rent, a hearing is held. Both parties attend and are entitled to make representations. The Regie has adopted a method of calculating rent increases which allows for individual building and/or ownership cost adjustments and adjustment to the return on the building. Cost increases in municipal and school taxes and insurance costs are passed on directly to the tenant. Other costs such as utility (fuel oil - 16 per cent, gas 4 per cent, electricity - 7 per cent in 1983), maintenance (7 per cent) and management (9 per cent) costs are indexed (the indexes change with market conditions). Net income is adjusted for inflation (8 per cent in 1983) to preserve the cash flow return. If major repairs or improvements have been undertaken the landlord is entitled to a return comparable to other stable investments (14 per cent in 1983). Thus, the rent increase is a composite of increased expenses and an adjustment of the return. A supplementary adjustment may be made that takes into consideration qualitative factors such as the condition of the dwelling. Exemptions from the legislation include:

- dwellings erected under legislation to eliminate slums and construct sanitary housing
- cooperative projects
- new construction which is less than five years old
- low rental housing
- vacation resorts, hotels
- units in which over one-third of the total floor area is used for non-residential purposes
- dwellings where no more than two rooms are rented within the main residence of the landlord.

When the rent is fixed by the Regie, it will be in force for the term of the extension of the lease or for the period determined by the Regie. This period cannot exceed twelve months except in the case of new tenancies. If the term of the new lease is longer, landlords may apply for an annual revision three months before the expiry of each twelve month period. Generally, leases in Quebec expire on the first of May.

1.1.9 Saskatchewan

History:

In 1950 the Act to Regulate Leasehold Rights and Obligations specified a maximum allowable rent which was administered by the Provincial Mediation Board. By the 1970s the board had no rent regulation authority.

On January 28, 1976 the Residential Tenancies Act of 1973 which contained no provisions concerning rent increases was amended to provide for rent control and to transfer responsibilities for landlord/tenant disputes from the Magistrate's Courts and the Provincial Mediation Board to the Office of the Rentalsman. The office of the Rentalsman, established in January 1976, was responsible for administering the Residential Tenancies Act, particularly the rent control program. Rented accommodation was at a premium, inflation was increasing, rents were escalating rapidly and there was a backlog of Residential Tenancy matters before the courts (Saskatchewan - PMBR, 1983). The federal government announced its anti-inflation program in October 1975 and Saskatchewan agreed to implement rent control and to establish an agency to monitor rent increases.

Rent control was initiated for premises built and occupied prior to October 1975 and rents were rolled back to their December 1974 levels. Between October 1977 and April 1979 rent control was gradually dismantled as vacancy rates increased. Initially, smaller towns and villages were removed from rent control and specified towns and cities were placed under rent review. Only Saskatoon and Regina remained subject to rent control when new legislation was introduced in December 1983 (reviewed below).

Under rent control (Section 46), landlords were required to apply to and receive approval from the Rentalsman's office before rents can be increased. Only apartments built prior to October 1975 were subject to rent control. Tenants who were covered by rent review could apply to the Provincial Mediation Board (which administered Part II of the Residential Tenancies Act) if they felt a rent increase was unreasonable. The Board would conduct an investigation and hold a hearing during which the landlord and tenant(s) could discuss the increase. Then a rental rate was set.

In 1977, the responsibility for rent review and security deposit claims was transferred to the Provincial Mediation Board. The Office of the Rentalsman and the Provincial Mediation Board were amalgamated for the purpose of administration in October, 1980. The Rentalsman's office administered the rent control program and those provisions of the Act which govern landlord-tenant relations and obligations.

Mechanism (1976 Act):

Saskatchewan had a two-part rent regulation system. Rent control applied in Saskatoon and Regina and rent review elsewhere. Under rent control, no increase in rent could be initiated without the approval of the Rentalsman. Rent review decisions were based on increased operating costs, financing costs, capital expenditures and comparable rents. As of late 1980 all operating costs could be passed directly through to the tenant as a rent increase.

Rent Control (1976 Act):

Under rent control a landlord in Regina, Saskatoon or within an eight kilometer radius of these centres could not raise the rent unless he applied to the Rentalsman for approval at least sixty days in advance of the proposed increase. In considering an application for an increase, the Rentalsman would make an order he considered just and equitable in the circumstances. The factors considered for allowing an increase were:

- property taxes
- insurance
- wages and salaries
- utilities
- maintenance and repair
- capital improvements (completed) which cost 10% or more of the building's value
- mortgage interest costs.

Factors not considered in allowing an increase were income and corporation taxes, and business or administrative expenses of the landlord.

Rent increases of 10, 8 and 10 per cent for 1975, 1976 and 1977 were allowed. From 1978 until mid-1980 no specific increase was automatically allowed. Late in 1980 a standard formula was adopted as a matter of policy. It did not allow for a direct pass through of mortgage costs, but an economic adjustment factor was included which reflected mortgage rates for the previous 36 months. Five basic factors were utilized in the formula:

A. Economic adjustment factor on net revenue (related to the Consumer Price Index for the previous 24 months)

B. Probable increase in operating costs (related to actual changes in operating costs in the past 24 months)

C. Investment in major capital repairs and improvements

D. Comparison adjustment (a balancing device used to make allowance for landlords who have not increased rents on a regular basis or where rents are substantially out of line with others).

E. Financing interest costs (subject to a maximum percentage of amortization).

Special consideration was given to the factor "E" when reviewing financial hardship cases, otherwise only factors A, B, C and D determine rent increases. Each of factors A, B and C is weighted, that is, a maximum per cent of each is allowed. In 1983 the weightings for A, B and C were 12, 14 and 20 per cent respectively.

If the percentage increase obtained by using the formula is the same as or greater than the landlord's requested increase, the request is granted. Otherwise, the increase allowed will conform to the result of the formula.

The onus was on the landlord to submit evidence and documentation for his costs and capital expenditures. Tenants were permitted to voice their concerns about the proposed increase, and the concerns were taken into account by the Rentalsman in deciding what would be "just and reasonable" in the circumstances. No hearings were held.

Appeal could be made to the Rent Appeal Commission and to a Court of Appeal, on a question of law or jurisdiction.

Rent Review (1976 Act):

Under rent review, which applied outside of Regina and Saskatoon, a landlord could charge any rent, but had to give the tenant notice at least three months prior to an increase in rent. If the tenant objected to the increase, he could apply to the Provincial Mediation Board for a review. If the Board decided, after a hearing, that the increase was "fair and reasonable", it allowed the increase. If the Board did not feel the increase was "fair and reasonable", it could disallow the increase and order a "fair and reasonable" increase. The order could be appealed to the Rent Appeal Commission, which could in turn be appealed to the Court of Appeal.

If the Board received applications for rent review from at least 25% of the tenants in a building, it could review the increases for all suites. The landlord was required to notify new tenants of rent levels of the previous tenants. Only one increase was allowed per year.

In deciding whether a proposed increase was "fair and reasonable", the Board considered:

- the amount of the proposed increase
- any increase in costs to the landlord, including anticipated increases, for maintenance and services
- the cost of any major repairs and improvements
- financing costs
- rents in comparable buildings
- changes in facilities or services.

The same formula used in rent control cases applied in determining rent increases in units under review.

Exemptions from the legislation included:

- new construction since October 1, 1975
- centres with population of less than 2,000
- boarding houses
- university residences
- nursing homes
- hotels, motels, clubs, some charitable organizations (YWCA)
- landlord rents one dwelling to one tenant in the province
- landlord occupies 1 unit in a 2-unit building
- commercial premises with attached living accommodation.

In all cases, review or control, only one increase was allowed per year.

On December 13, 1983, a new program called the Saskatchewan Rent Stabilization Program suspended the portions of the Residential Tenancies Act dealing with rent control. Effective February 1, 1984, the new program placed Regina, Saskatoon and all centres with a population of 2,000 or more under a system of rent review. New rental units built in 1979 or later are exempt.

Mechanism:

Landlords must inform tenants three months in advance of a proposed rent increase. If an agreement between the landlord and tenant cannot be reached, the onus is on the tenant to request within thirty days of receiving the landlord's notice, a review of the rent increase.

Principles:

Utilizing the same rent increase formula as the old program it is expected that average rent increases will be around 5 per cent annually (rent increases in Saskatchewan were averaging 13 per cent under the old program). The weightings of factors A, B and C were reduced as follows:

A. (economic adjustment), from 12 per cent to 1 per cent

B. (maintenance and operating expense) from 14 per cent to 9 per cent

C. (capital improvement -- minimum of at least 10 per cent of gross rent) from 20 per cent to 12.25 per cent.

Effective January 1, 1985, Item A was increased to 4 per cent and B was reduced to 4 per cent.

The 5 per cent figure is intended to be a flexible guideline. Increases totalling more than 5 per cent in any 12 month period will not be approved automatically unless there is evidence of exceptional circumstances.

1.1.10 Northwest Territories

There are no rent controls nor any rent review program in place in the Northwest Territories. Under the Landlord and Tenant Ordinance a notice of rent increase is necessary unless otherwise stated or if the tenancy agreement does not contain a provision for a rent increase.

2.1.11 Yukon

There are no rent controls nor is there any rent review program in existence. Under the Landlord and Tenant Ordinance no increases are allowed within the first twelve month period of an annual lease or in the case of shorter terms, during the term and any renewals up to one year after the date of the original agreement. Thereafter, a notice of rent increase must be sent to the tenant at least three months prior to the increase date.

TABLE 1: SUMMARY OF PROVINCIAL RENT REGULATION SYSTEMS, 1985

	Newfoundland	P.E.I.	Nova Scotia	New Brunswick	Quebec	Ontario	Manitoba	Saskatchewan	Alberta	British Columbia
Current Legislation	The Landlord and Tenant (Residential Tenancies) Act, 1973	The Rent Review Act, 1975	Rent Review Act, 1975	None	An Act to establish the Regie du logement.. 1980	Residential Tenancies Act Part XI, 1979 Financing Costs Restraint Act, 1982	The Residential Rent Regulation Act, 1983	Rent Stabilization Program, 1983	None	None
Effective Date of Regulation	1973	October 14, 1975	October 1, 1975	[Oct./75 to June 30/79] Aug. 31/82	[1951] November 1979	July 29, 1975	[July/75 to June/80] Jan. 1/82	October 14, 1975	January 1, 1976	January 1, 1974
Expiry Date	Permanent	Jan. 1/78; Extended	Dec. 31/77; Extended	Aug. 31/85	Permanent	[July 31/77] Now Open	[June/80] April 1983 Extended	Open	July 1/80	July 31/84
Administration	Residential Tenancies Board	Rentalsman	Rent Review Commission	Rentalsman	Regie du logement	Residential Tenancy Commission	Rent Stabilization Board, then Rent Regulation Bureau	Rentalsman	Rent Regulation Appeal Board, then Rent Decontrol Appeal Board	Rentalsman
Ministry	Justice	Community and Cultural Affairs	Consumer Affairs	Justice	Justice	Housing	Consumer and Corporate Affairs	Consumer and Commercial Affairs	Attorney General	Consumer and Corporate Affairs
Exemptions	Public housing	Initial rents on new construction; public and non-profit housing.	Originally new construction was exempt -- Effective Jan. 1/83 for first 4 years only; public, educational, special care, boarding houses, non-profit and co-operative housing.	New construction after Aug. 31/82. Public, non-profit limited dividend, educational, special care, boarding houses, business premises with attached accommodation. First rent increases subsequent to major renovations.	New construction for first 5 years; low rental, educational, special care housing; co-operative projects and landlord occupied dwellings containing 2 or less rental units.	New construction after Jan. 1/76; public non-profit co-operative and educational housing. Mobile home sites occupied after Jan. 1/76. Luxury renovation decontrol.	New construction after Jan. 1/78 for 5 years; Approved rehabilitation projects for 5 years; non-profit limited dividend, educational and public housing boarding houses.	New construction after Dec. 31/78. Centres with population under 2000; landlord occupied dwellings containing 1 rental unit. Educational and and special care housing.	New construction after Jan. 1/76; public housing. Effective July 1/77 rent level decontrol provisions established: $375-3 bdrm. $325-2 bdrm. $275-1 bdrm.	Originally new construction after 1974 for 5 years (forever exempt in 1977); public, non-profit, educational housing. Landlord occupied 2 unit premises.
						$750+ exemption (1979) revoked Nov. 1/84	$801+ (Dec./84)			Maximum rent level; also after 1978 by no. of bdrms.
Increases Allowed Per Year	No provision	One	One	One	One	One	One/plus on tenant turnover	One	One	One/reviewed units also on tenant turnover

Notice of Previous Rent	No	Yes	Rent registry	Yes	Yes	No; rent registry intended	Rent registry	No	Yes	Rent registry
Annual Increase Permitted Without Approval	No ceiling Individual review based on: fair market value, operating expenses, investment return, and quality of life and shelter.	3% since Jan. 1/84 5% if no increase in previous year. Tenant can request review of any increase.	4% 1982 6% since Jan. 1/83	6% 1982 5% 1983 6% since Jan. 1/84	No ceiling Landlord/tenant negotiations for any increase. If this fails landlord or tenant can request rent fixing. Decision based on operating cost indexes, pass through of property tax, capital expenditure, economic value.	6% since Oct./77 4% since Oct./85 Tenant can dispute proposed larger increase; can dispute 4% increase on limited grounds.	9% 1982; 8% 1983 6% 1984; 4.5% 1985. These are composites of operating cost increase (3%) and EAF (1.5%).[1] Tenant can dispute any increase.	5% 1985 (flexible) Landlord/tenant negotiations for any increase. If this fails tenant must apply for review.	10% 1976 10% 1977; under decontrol 8%	10% for units under exemption levels; up to 10% of improvement costs on top of 10%.
Review of Larger Increases										(For units above control levels)
1. Onus for review		Landlord	Landlord/tenant	Tenant		Landlord	Landlord	Tenant	Landlord	Tenant
2. Hearings		Optional	Optional	Yes		Yes	No (discretion)	Yes	Optional	No (fixed-choice arbitration)
3. Factors considered		Operating, maintenance and financial costs; Capital expend.; Profit/loss; Service and quality levels. Previous rent increases.	Operating, maintenance and financial costs; capital expend.; financial loss; Return on investment; Service and quality levels; Previous rent increases.	Not specified but designed to permit a fair return on investment by allowing legitimate cost increases.		Operating, maintenance and financial costs; capital expend.; financial loss; financial hardship; Service and quality levels; previous rent increases.	Operating, maintenance and financial costs; capital expend.; Net revenue adjusted for inflation (1.5%) if no deficit. If deficit, the larger of 1.5% of rental income or one-third of deficit.	Formula (1985): A) Net revenue + x 4% B) Operating + costs x 4% C) Cap. expend. + x 12.25% D) Change in financial + costs Comparable rent adjustment.	Operating costs; Capital improvements.	Operating maintenance and financial costs; Capital expend.; Comparable rents.
4. Rents determined for all units	No	No	Optional	Optional	No	Yes	Optional (flexibility for equalization adjustments)	Optional	Optional	No
Level of Appeal of Rent Decisions	1. Tenancies Board 2. District Court	— Supreme Court	1. Commission 2. Supreme Court	1. Rentalsman 2. Court of Queen's Bench	Regie du logement —	1. Commission 2. Supreme Court	1. Bureau 2. Supreme Court	1. Rentalsman 2. Supreme Court	1. Board 2. Supreme Court	1. Commission 2. Supreme Court
Average Increase Approved	N.A.	11% 1983 608 units 9% 1984 738 units	17.2% 1982-83 28,500 units 11.0% 1983-84 21,200 units	N.A.	N.A.	14.2% 1982-83 127,812 units 10.6% 1983-84 106,472 units	9.6% 1982	13.4% 1981-82 11.6% 1982-83 (Regina and Saskatoon)	—	—

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[1] EAF = Economic Adjustment Factor to net revenue.
N.A. = Not Available

TABLE 2

SUMMARY OF CURRENT PROVINCIAL LEGISLATION (Dec. 1/85)

Province	Name of Act	Effective Date	Expiry Date
Newfoundland	The Landlord and Tenant (Residential Tenancies) Act	May 31, 1973	Permanent
Prince Edward Island	The Rent Review Act	October 14, 1975	January 1, 1978 Now open
Nova Scotia	The Rent Review Act	October 1, 1975	December 31, 1975 Now open
New Brunswick	None		Rent Regulation ended August 31, 1985
Quebec	The Civil Code		
	An Act to Establish the Regie du logement...	October 1, 1980	Permanent
Manitoba	The Residential Rent Regulation Act	January 1, 1982	Open
Saskatchewan	The Residential Tenancies Act, 1973	October 1975	Decontrol began October 1977; ended April 1979 Saskatoon & Regina excepted

Table 2 (continued)

Province	Name of Act	Effective Date	Expiry Date
	Saskatchewan Rent Stabilization Program Order in Council, 1983	January 1, 1984	Open
Alberta	None		Rent regulation ended July 1, 1980
British Columbia	None		Rent regulation ended July 31, 1984
Northwest Territories and Yukon	None		
Ontario	Residential Tenancies Act, Part XI	1979	Open
	The Residential Complexes Financing Costs Restraint Act	October 31, 1982	December 31, 1983 Extended
	An Act to amend certain Acts respecting Residential Tenancies, 1985	August 1, 1985	Open

TABLE 3

HISTORICAL SUMMARY OF PROVINCIAL LEGISLATION

Alberta

An Act to Control Rentals and Termination of Leases, 1950

The Temporary Rent Regulation Measures Act, 1975

The Rent Decontrol Act, 1977

British Columbia

An Act to Provide for the Regulation of Leaseholds, 1951

An Act Respecting Rent Control, 1954

Commercial Tenancy Act, 1960

Landlord and Tenant Act, 1960

An Act to Amend the Landlord and Tenant Act, 1970

An Act to Amend the Landlord and Tenant Act, 1973

Residential Premises Interim Rent Stabilization Act, (Bill 75), March 24, 1974

Landlord and Tenant Act (Bill 105), October 1, 1974

Landlord and Tenant Amendment Act, (Bill 169), November 21, 1974

Residential Tenancy Act, 1977, R.S.B.C., 1979, C. 365

Residential Tenancy Amendment Act, 1980

Residential Tenancy Act, (Bill 5) 1983

Residential Tenancy Act, (Bill 19), 1984

Manitoba

An Act to Provide for the Regulations of Leaseholds, 1951

An Act to Amend the Landlord and Tenant Act, 1970

The Rent Stabilization Act, 1976

An Act to Amend the Rent Stabilization Act, 1978

An Act to Amend the Landlord and Tenant Act and the Condominium Act, 1980 (repealed The Rent Stabilization Act)

The Residential Rent Regulation Act, 1982

Table 3 (cont'd)

An Act to Amend the Residential Rent Regulation Act, 1983

New Brunswick

The Municipal Rent Control Act, 1951

The Residential Rent Review Act, 1976

The Residential Tenancies Act, 1983

The Residential Rent Review Act, 1983

Newfoundland

Rent Restrictions Act, 1943

Landlord and Tenant (Residential Tenancies) Act, 1973

Nova Scotia

An Act Respecting Housing and Rentals, 1951

An Act Respecting Residential Tenancies, 1970

The Rent Review Act, 1975

Ontario

An Act Respecting Rent Control, 1953

An Act to Provide for the Regulation of Leaseholds, 1957

The Residential Premises Rent Review Act, 1975

An Act to Amend the Residential Premises Rent Review Act, 1976, amended 1978 & 1979

An Act to reform the Law Respecting Residential Tenancies, 1979

An Act to Provide for an Interim Restraint on the Pass-through of Financing Costs in Respect of Residential Tenancies, 1982

An Act to amend certain Acts respecting Residential Tenancies, 1985

Prince Edward Island

The Housing and Rentals Act, 1951

The Landlord and Tenant Act, 1972

The Rent Review Act, 1975

Table 3 (cont'd)

Quebec

The Civil Code

The Regulation of Rentals Act, 1950

An Act to Amend the Act Respecting the Regulation of Rentals, 1951

An Act to Promote Reconciliation between Lessees and Property Owners, 1951

Rental Code, Bill 59, 1972

An Act to Prevent Excessive Increases of Rent in 1973, 1973

An Act to Establish the Regie du logement, 1979

An Act to Amend the Civil Code and Certain Legislation in Respect of Housing, 1981

An Act to Amend the Act to Establish the Regie du logement and to Amend the Civil Code and other Legislation, 1981

Saskatchewan

An Act to Regulate Leasehold Rights and Obligations, 1950

The Residential Tenancies Act, 1973

An Act to Amend the Residential Tenancies Act, 1976

The Residential Tenancies Act, R.S.S. 1978, R-22

1.2 Foreign Jurisdictions (to 1981)

This part provides an overview of rent regulation in the United States, Great Britain, Europe, Australia and Hong Kong. It draws from published sources some of which are a number of years old. Therefore, this part is not intended to be an up-to-date review but rather outlines the historical development as reflected in published material. It provides an indication of the regulatory features that foreign jurisdictions have utilized.

1.2.1 United States

Rent controls were first introduced in the United States during World War I. The state and federal controls were limited in their application to protecting servicemen, their families and workers producing war material from eviction later in the war. Rent regulation was extended to the general public in response to an increase in "rent gouging".

On January 30, 1942, President Roosevelt signed the Emergency Price Control Act into law, thus initiating rent controls. Initially, rent controls were applied only to cities and towns with severe housing shortages, but by 1943 rental housing in all of the larger cities and many of the smaller towns was controlled. Rents were frozen at 1942 or 1943 levels and until 1947 increases were limited to cases of landlord loss or hardship and where services were improved (Grebler, 1952, p. 466). In 1950, the federal government passed to state and local governments the prerogative to continue, eliminate or modify the wartime system of rent control.

Between November 1971 and January 1973, nation-wide rent control was reimposed as part of the general wage and price control program. Initially, a ninety-day freeze was imposed on all prices, wages and rents (Phase I). The freeze was replaced by a rent stabilization program which allowed annual rent increases of 2.5 per cent plus allowable expenses on the base rents (as of August 15, 1971 - Phase II). New construction, rehabilitated units (after August 15, 1971), single-family units, "multi-family units of which an owner owned no more than four such units" and units renting for $500 a month were exempt (Lett, 1976, p. 22). In January 1973 a voluntary restraint program was introduced (Phase III) and "which in practice became federal decontrol under Phase IV" (Blumberg et al. 1974, p. 240).

In the late 1960s and 1970s, rent control legislation was passed in a number of municipalities. In some states, such as Massachusetts, local rent control is legally dependent upon the enactment of state enabling legislation. In others, such as California, local government may enact their own legislation (Dreier, 1979, pp. 55-56).

A brief history and description of rent regulation in various jurisdictions in the United States follows.

California

There are no statewide ordinances enabling local rent control in California. Individual localities have passed rent control ordinances, including Berkeley, Beverly Hills, Los Angeles, San Francisco, and Santa Monica.

According to Shulman (1981, p. 39), rent control can be viewed as the "flip side of Proposition 13" (the property tax reduction initiative) where renters seek to immunize themselves from rising rents.

Los Angeles City

From October 1978 until April 1979 a rent freeze was in effect in the city of Los Angeles. Since May 1979, a Rent Stabilization Ordinance has been in place. In April 1982, the city's ordinance was extended for four years. Annual allowable rent increases are set at 7%, voluntarily vacated units are decontrolled until they are re-rented, and property owners may pass on the costs of capital improvements, utility rate increases, and other operating expenses. The costs of capital improvements are permitted to be passed on to tenants as a permanent rent increase.

In September 1981, the California Supreme court ruled that rent increases at retirement homes, where a single fee is paid for meals, lodging and other services, fall under the jurisdiction of the ordinance.

San Francisco

The Residential Rent Stabilization and Arbitration Ordinance, passed in June 1979, froze rents at April 15, 1979 levels, and provided for increases of 7% per year, but set no limit on increases when apartments become vacant. New legislation was passed in April 1982 extending rent regulation with annual renewal requirements. Thus, the law will stay in effect until it is repealed. Property owners must obtain permission from the rent stabilization board to raise rents above the 7% levels allowed annually and must pay a filing fee per unit for such increases.

In 1980 provision was made under a utility pass through amendment affecting landlords who pay utility bills for tenants, to share the cost with tenants.

In January 1983, an ordinance limiting condominium conversions to 200 per year was passed. This limitation constitutes an 80% reduction in the number of conversions allowed under the previous ordinance.

Santa Monica

In April 1979, The Rent Control Charter Amendment introduced a comprehensive system of rent control to the city of Santa Monica. The purpose of the amendment was to alleviate the hardship caused by a shortage of housing in the area. Rents were frozen for 120 days, then rolled back to the April 10, 1978 levels, and the base was set at the 1978 rent level. A Rent Control Board was created and given the power to set a rent ceiling and register all controlled units, approve rent adjustments and issue permits for removal of controlled units. The intent was to ensure that a landlord should receive no more than a fair return on his investment. All residential units, including, mobile homes and land for mobile homes, are covered. Rental units exempt from the ordinance are:

- units in owner-occupied dwellings of no more than 3 units
- hotels and motels
- rooming and boarding houses
- mobile home parks used for transients
- construction after April 10, 1979
- commercial properties
- hospitals, non-profit homes for the aged and dormitories operated by educational institutes.

No provision was made for vacancy decontrol.

The Rent Control Board is funded by annual registration fees imposed on each rental unit to be paid by the property owner and passed on to tenants. Annual general rental adjustments are determined by the Board each year. In 1979, a 7% increase was allowed, in 1980, 6.5% and 5.5% in 1981.

The principles of this sytem, as outlined in Shulman (1981), are as follows:

- the April 1978 rent is the base rent
- rent increases are based on costs and on a "fair return on investment"
- negative cash flow is not to be considered eligible for getting a rent increase

conversion to condominiums or stock cooperatives is prohibited without the Board's permission

- demolition is prohibited without permission of the Board
- new construction on vacant land is exempt; when demolition occurs new units come under control and at least 15% must be affordable to low income persons
- special rent increases (i.e., those in excess of the general adjustment) are granted only for cost increases occurring since April 1978.

The Board uses a method based on the assumption that the net operating income produced by a property during the base year (April 10, 1978) provided a fair return on the property. Net operating income is defined as gross operating income less operating expenses. Mortgage payments and debt service are not included. Based on the assumption that the 1978 base rent yielded a fair return, the Board may permit individual rent adjustments to be increased at the rate of 40 per cent of the increase in the Consumer Price Index over the base year. The increase in the CPI is calculated by dividing the most recently reported monthly figure by the April 1978 figure (National Multi-Housing Council, 1982, p. 15).

Connecticut

In 1969, a state enabling action authorized municipalities to establish fair rent commissions empowered to:

> Make studies and investigation, conduct hearings and receive complaints relative to rental property within its jurisdiction in order to control and eliminate excessive

> rental charges on such property. (Lett, 1976, p. 81)

The Fair Rent Commissions set rents only upon a tenant complaint. The Commissions have the power to reduce the rents in specific instances, but cannot establish across-the-board controls.

In determining whether a rent is excessive, the Fair Rent Commissions consider the following factors:

- comparable rents
- condition and size of the unit
- any services, furniture and furnishings supplied
- repairs necessary to make the accommodation livable
- taxes and overhead expenses
- income of tenant
- availability of accommodation
- availability of utilities
- damage to unit by tenant other than ordinary wear and tear.

The tenant's income is given some consideration, but:

> It appears that in no case has this factor been the sole basis for rent reduction because such reductions based solely on tenants' need is viewed as unfair to the property owner. (Lett, p. 82)

District of Columbia

The District of Columbia (Washington, D.C.) continued controls after the federal program ended in 1973. The Rent Control Act rolled rents back to a base period of 1973 and increases of 12.32% were allowed for 1973 and 1974, although landlords could apply for "hardship" increases.

The current law, the Rental Accommodations Act, became effective November 1, 1975. Virtually all privately-owned rental residential properties, including single-family homes, were covered by the legislation. All properties had to be registered with the Rent Administrator. A rate ceiling was established for each unit based on the 1973 rent. To that base, a 12.32% allowance plus a maximum additional increase of 5% over two years, was added. The 5% was available only to owners whose rate of return was less than 8% (under a formula contained in the Act).

The law was allowed to expire on October 31, 1977, but in January 1978 a three-year extension of rent control was passed. Automatic rent adjustments of between 2% and 10% were allowed in the first year. During the second and third years, increases were tied to the increases in the Consumer Price Index. A new provision allowed landlords to increase the rent by any amount, if they had the approval of seventy per cent of the tenants. In January 1981, legislation was passed extending the rent control law through 1985 and allowing an automatic annual increase of up to 10%. Landlords were permitted to raise the rents an additional 10% if a unit becomes voluntarily vacant and is then re-rented. First rental in new construction is exempt and controls no longer apply to condominiums of four or fewer units.

Florida

In 1977 the Florida state legislature passed a law allowing any community to enact rent legislation for one year in case of a housing emergency. However, the municipality could only control those units renting for less than $250 per month. A challenge in 1980, by the City of Miami Beach (and other localities) was quashed. Miami Beach had a rent control ordinance which expired in 1976. An effort to initiate an ordinance against rent gouging was struck down as "illegal rent control" because of direct conflict with state law.

Maryland

In 1973 state enabling legislation was passed. The legislation was supplemented by stronger county ordinances. Statewide rent controls in Maryland ended on June 30, 1975.

Montgomery County allowed its rent control law to lapse in 1971, but new rent legislation was passed in March 1979, which was due to expire on January 31, 1981. Landlords have voluntarily agreed to hold rent increases to 10% per annum.

Massachusetts

In August 1970, Massachusetts passed the Act Enabling Certain Cities and Town to Control Rents and Evictions enabling any city and town with a population of 50,000 or more to implement rent control. The stated purpose of the Act was to alleviate the severe shortage of rental housing:

> A serious public emergency exists with respect to the housing of a substantial number of citizens in certain areas of the commonwealth but especially in the cities...regardless of population and towns with a population of fifty thousand or over, which...has been created by housing demolition, deterioration of a substantial portion of the existing housing stock, insufficient new housing construction, increased costs of construction and finance, inflation and the effect of the Vietnam War, and which has resulted in a substantial and increasing shortage of rental housing accommodations for families of low and moderate income and abnormally high rents... (Selesnick, 1976, Appendix A)

Boston (1972), Cambridge (1970), Brookline (1970), Lynn (1972) and Somerville (1971) subsequently passed rent control ordinances.

Although the law was allowed to expire (it was designed to be in force until April 1, 1975), the Massachusetts legislature allowed for the rent control to continue in Boston, Brookline, Cambridge and Somerville. Lynn had repealed its rent control ordinance in 1974. In 1979, Somerville abolished rent control.

Principles:

The enabling legislation provided that the rent control administration, rather than the landlord, would determine the rent to be charged and how long tenants may stay in their apartments. The methods of rent adjustment, as described in the Act, are:

- rent rollback to the level six months prior to the introduction of rent control at the local level
- rent adjustments (increases or decreases)
- individual (to a unit or units in a building)
- general (to all controlled units or to specific categories of buildings).

Initially, all rents were "frozen" at the level when the Act took effect and no increase was valid without approval.

The Act stated that rents for controlled rental units be "established at levels which yield to landlords a fair net operating income". The factors to be considered among other relevant facts, which the individual board may define in determining a fair net operating income are such things as:

- increases or decreases in property taxes
- unavoidable operating and maintenance expenses
- increases or decreases in living space or services
- capital improvements
- substantial deterioration
- failure to perform ordinary repairs.

Fair net operating income is not defined in the Act -- it is left up to the municipality or local administrative agency to determine.

The Act specified that the base rent the local rent board refers to is the rent charged for a unit during the six months immediately preceding enactment of rent controls. The board started with a base year from which fair profit levels are determined, took the factual data and combined it with a judgement based on the condition of the building in order to determine whether a request for an increase or decrease should be granted. Rent control decisions may be appealed to the local district court.

The overall approach is to permit owners to pass through increased costs in certain "allowable" operating expense categories. Debt service and depreciation were not considered allowable expenses. Most of the localities which enacted rent control ordinances required landlords to retain the same level of services and maintenance as before controls. According to Blumberg et al.:

> The setting of rent levels is partially determined by whether the rental unit complies with applicable housing code standards. Before a landlord can file eviction proceedings against a tenant, he must first present evidence to the Rent Control Board that the rental unit is up to code standards. The purpose of this provision is to furnish a strong incentive to landlords to maintain their rental units. (1974, p. 245)

The premises which are exempt from the legislation include:

- two- and three-family owner-occupied units
- all housing built after January 1, 1969
- hotels, motels, and inns
- rooming houses
- public housing
- hospitals, public institutions and dormitories operating for charitable or educational purposes

- rental units in cooperatives
- cities may exclude up to twenty-five per cent of its highest rent units.

Security of tenure is regulated -- the landlord of a controlled unit must obtain a "certificate of eviction" from the rent control agency before going to court to evict a tenant. The grounds on which eviction could be justified include non-payment of rent, substantial violations of the tenancy agreement, nuisance or damage caused by the tenant, illegal use of the unit, demolition and the landlord's desire to use and occupy the apartment. A certificate of eviction could be issue for "any other just cause" provided it does not conflict with "the provisions and purposes of the act".

The Massachusetts communities which adopted rent control ordinances took a different approach to implementation. Each community handled registration, rollback, hearings, rent adjustments, evictions, and enforcement, as well as administration. The legislation outlined an overall regulatory framework, but allowed flexibility in implementation and application of rent controls.

Boston

Between 1970 and 1972, rents in Boston were regulated under a local system which provided for rent review only on tenant complaint. In December 1972, Boston adopted a rent control ordinance under the state enabling law. After the state enabling legislation lapsed, Boston adopted a new rent control ordinance on

December 31, 1975. It applied to dwellings of three or more rental units, although if the landlord occupied one unit of a three unit structure, all were exempt. Units which became vacant after January 1, 1976 were decontrolled and construction after December 1, 1968 was exempt. Registration of rent controlled units was required.

Either landlords or tenants could apply for a rent adjustment. In considering adjustments to the maximum rent, the Board allowed landlords to earn a fair net operating income. In determining the fair net operating income, the Board considered:

- property taxes
- operating and maintenance expenses
- capital improvement costs
- deterioration
- changes in the level of service
- failure to perform ordinary repairs, maintenance or replacement.

A just cause eviction law prohibited landlords from evicting tenants without a good cause, such as non-payment of rent.

The Rent Control Board considered applications for rent adjustment on a case-by-case basis (there were no across-the-board increases) and hearings were held upon landlord or tenant request or upon the initiative of the Board.

Boston's rent control law was due to expire on December 31, 1979, but was extended for three more years. On January 10, 1983, a new rent control and condominium conversion ordinance came into effect. The new legislation is to expire in December 1986.

Under the new rent control provisions, the Rent Grievance Board sets annual general adjustments based on the Consumer Price Index and changes in operating costs. Individual rent increases must be approved by the Board, vacancy decontrol is retained and a "just cause eviction" provision is included. The condominium provisions require property owners to give notice of a conversion to tenants one year in advance and pay relocation expenses of $750 per tenant. Elderly, low-income and handicapped tenants must have two years notice of a conversion, an additional two-year extension to relocate and $1000 in relocation assistance (National Multi Housing Council, 1983).

Brookline

After the expiry of the state enabling legislation, Brookline approved a new rent control ordinance on January 1, 1976. All rental units, except those in an owner-occupied two- or three-family unit, and units constructed after January 1, 1969 are covered by the ordinance.

Controls are administered by a Rent Control Board which may make individual rent adjustments and which may, after a public hearing, make a general percentage adjustment of the rent levels for any class of controlled units. Tenants and landlords may request rent adjustments and the Board attempts to ensure that the landlord receives a fair net operating income. Units must be registered with the Board.

Brookline defines fair net operating incomes as:

> That income which will yield a return, after all reasonable operating expenses, on the fair market value of the property equal to the debt service rate generally available from institutional first mortgage lenders or other such rate of return as the board, on the basis of evidence presented before it, deems more appropriate to the circumstances of the case. The fair market value of the property shall be the assessed valuation of the property or such other valuation as the board, on the basis of evidence presented before it, deems more appropriate to the circumstances of the case. (Lett, 1976, p. 98)

Controlled units may not be removed from the rental market without Board approval. If a rental unit is converted to a condominium, the unit falls under rent control unless there is a new tenant. Effective September 1980, no tenant may be evicted by a landlord for conversion if a tenant has occupied the unit prior to the recording of the master deed.

Cambridge

In 1970, Cambridge passed a rent control ordinance which gave a Rent Control Board the authority to grant rent adjustments, certificates of eviction, and removal permits. The Board was also to hear landlord-tenant complaints. The ordinance applied to dwellings with four units or more and the unit had to be registered with the Board. New construction after January 1, 1969 is exempt from controls. No provision was included for vacancy decontrol.

Landlords and tenants may apply to the Board for rent adjustments but the rent may only be adjusted once in a twelve-month period. The Board holds a public hearing on each application. The ordinance states that a landlord will receive a fair net operating income for rent adjustments, reflecting expenses the landlord has incurred, such as payroll, utilities, real estate taxes, management and any rise in the Consumer Price Index. Increases may be permitted for capital improvements under certain conditions and capital improvements which are considered energy conserving by the Board may be amortized over a useful life equal to the terms of a loan. Tax increases may be passed on to tenants on a dollar-for-dollar basis if the Board considers it a fair increase.

New Jersey

No state enabling legislation exists in New Jersey. In 1973 the State Supreme Court found that rent regulations were in the purview of individual municipalities.

The Fort Lee, New Jersey ordinance, adopted February 2, 1972, has been the model for most New Jersey ordinances. The local municipality or county enacts a rent control ordinance based on a declared, but undefined emergency. Currently 160 municipalities have rent control ordinances. Vacancy decontrol has been instituted in a large number of municipalities.

Principles:

There is a base rental period with annual percentage increases and pass-throughs. The percentage increase can be determined in either of two ways:

- tying the annual increase to fluctuations in the Cost of Living Index and Consumer Price Index;
- a fixed annual percentage increase; A number of cities (Fort Lee, Orange, Newark, and River Edge) have set an upper limit or ceiling on the annual percentage increase.

Rent increases are limited to the annual maximum, but specific pass-through and/or hardship considerations are allowed. Pass-throughs are allowed for tax increases, capital improvements, and some unavoidable operating costs. Fort Lee limits capital improvement pass-throughs to "major" improvements (33% of assessed value) which do not exceed a 15% rent increase. Hardship is defined as a situation endangering the landlord's continued ownership, such as inability to meet mortgage payments.

Newly-constructed units are exempt only at the initial rental. Individual building or unit reviews are initiated on the basis of tenant complaints or landlord application.

New York

New York City

New York City has had rent control in place for forty years -- since federal controls were administratively imposed in 1943 in the City. Between 1942 and

1949 rents were frozen at their March 1, 1943 levels. In 1950 New York State passed its own rent control legislation which froze rents at previous levels, but allowed rent increases for hardship. Between 1950 and 1970 the reasons for granting rent increases were hardship, lease renewal and capital improvements. In 1970, reforms modified the rent control system. The maximum base rent (MBR) system was introduced. The MBR system was based on the principle that an equitable system of controlled rents should: provide buildings with sufficient revenues to ensure adequate operation and maintenance, provide for a competitive rate of return on capital, and protect tenants against excessive rents and sudden rent increases (Housing and Development Administration of New York City, Annual Report, 1971 as cited in British Columbia, 1975, p. 398).

A chronological summary of the history of New York City's rent control legislation follows:

History:

1942 The Emergency Price Control Act was imposed by the federal government. It was the enabling legislation establishing wartime rent controls.

1943 Rent control was administratively imposed in New York City according to Stegman (1982):

> As part of an anti-inflationary legislative program justified by wartime conditions, rent control was designed to be rigid, inflexible and restrictive. (p. 21)

Rents were rolled back to those in effect eight months prior to controls, with the requirements that no services be reduced as a result of the rollback.

1947 The Federal Housing and Rent Act exempted post-February 1947 apartments from national rent control. Pre-1947 apartments remained subject to controls; new apartments had completely unregulated rents. Procedures were established for decontrolling rents.

1950 The New York State legislature passed the Emergency Housing Act. The Act established the Temporary Rent Commission to administer N.Y. City's rent control system.

1953 A 15% across-the-board increase was given to take account of the inflation created by the Korean War.

1962 The Emergency Housing Act was enacted transferring the responsibilities for the administration of rent control from the State to the City. Buildings constructed post-1947 remained free of any form of controls.

1969 The rent stabilization program was created. Rents in post-1947 and previously decontrolled units in buildings of six or more units were brought under rent stabilization, a modified form of rent control. The Rent Guidelines Board, Rent Stabilization and the Conciliation and Appeals Board were established to administer the program.

The rent stabilization system combined industry self-regulation with governemntal supervision and control and was designed to permit owners to earn a reasonable return on their investment. The Act established a system of annual allowable rent increase limits for uncontrolled apartments. (British Columbia, 1975, p. 398)

1970 New York City Local Law 30 was enacted. This was the first attempt to reform the rent control program. The Maximum Base Rent (MBR) System was created, introducing the concept of economic rent to the city's rent controlled stock. The key principle of MBR was that rent ceilings should be gradually raised until they reflected the current costs of supplying rental housing and thereafter ceiling rents should be adjusted as costs changed.

1971 The Vacancy Decontrol Law was adopted providing for decontrol of all controlled and stabilized units after a change in tenancy.

1974 The New York State Emergency Tenant Protection was enacted as a response to a rise in rents among decontrolled and destabilized units. Vacancy decontrol was terminated for rent stabilized units. Vacated rent controlled units in buildings of six units or more were to come under rent stabilization after a market rent was negotiated with the tenant. This market rent was subject to tenant challenge as excessive.

1981 The Emergency Tenant Protection Act was extended until 1983.

1982 On March 30th, the rent stabilization and rent control systems were extended for a three-year period.

Currently, New York City has three regulatory classification systems in operation: controlled, stabilized and decontrolled.

Controlled:

- All pre-1947 apartments where tenants were in occupancy prior to July 1, 1971 are subject to rent control and the MBR system.

Stabilized (applies to units in buildings containing six or more units as follows):

- All previously controlled and stabilized apartments which saw a turnover in occupancy between 1971 and 1974 (negotiated adjustments to 1974 market rents were made);
- All stabilized units in which tenants have been in continuous occupancy prior to July 1, 1971, or which have become vacant for the first time since 1974 (no adjustments);
- Controlled units as they become vacant since 1974;
- New units built since 1974 with some form of public subsidy.

Decontrolled:

- Former rent controlled units in buildings containing fewer than 6 units which were subject to vacancy decontrol;
- Rent level decontrolled units.

Exemptions from the current system include:

- Privately initiated new construction since 1974;
- Units in buildings containing fewer than 6 units built since 1947.

A city law delays condominium conversion for two years and requires that 35% of condominiums be purchased by tenants. The effect has been to "stem the tide" of conversion.

Principles:

Controlled Units:

The Maximum Base Rent (MBR) system, introduced in 1970, is intended to make sure that a gap between the regulated rent and market rent does not arise by permitting landlords to charge economic rents. Each rent controlled unit is assigned a maximum base (MBR), which is intended to:

> Approximate the actual rent that would be required to operate the unit under prevailing cost conditions, including generation of enough cash to return 8.5% of the equalized assessed value of the building.(3) (Stegman, 1982, p. 25)

The maximum legal rent to be charged for a rent controlled unit is the Maximum Base Rent. Rents on a unit may be increased a maximum of 7.5 per cent a year until the MBR is reached, but no further increases are allowed until the legal MBR is raised by the City's rent control Division. If the allowed MBR increase exceeds 7.5 per cent, (or whatever the allowable increase is), rents may be raised 7.5 per cent in the first year, with the balance permitted in the second year (provided it does not exceed 7.5 per cent).

The Rent Control Division uses a cost-plus-profit formula to determine the maximum base rent for each rent controlled unit. The components of the formula are maximum gross building rental (MGBR), real estate taxes (RET), operating and maintenance allowance (O&M), water and sewage (W&S), vacancy and collection allowance (V&C), and return on capital value (RCV). The maximum gross building rental,

$$\underset{(100\%)}{\mathrm{MGBR}} = \underset{(15\%)}{\mathrm{RET}} + \underset{(39\%)}{\mathrm{O\&M}} + \underset{(2\%)}{\mathrm{W\&S}} + \underset{(1\%)}{\mathrm{V\&C}} + \underset{(43\%)}{\mathrm{RCV}}$$

where

$$\mathrm{RCV} = 8.5\% \text{ of equalized assessed value.}$$

In order to set the rent for an individual unit, each unit is assigned a room index (RF). An adjustment is made for floor level. In buildings without elevators, 2 per cent is added for each floor below the middle and 2 per cent is subtracted for each floor above it. In buildings with elevators, the relationship is reversed and a one per cent differential is used. A total room index (TRF) for the building is also established (sum of individual RF). Thus the individual MBR is calculated by using the following formula(4):

$$MBR = \frac{RF}{TRF} \times MGBR$$

Every two years, the Rent Control Division determines the maximum allowable rent increase to individual maximum base rents based on estimated changes in any of the components. In 1978-79, the increase was 9 per cent and in 1980-81 it was 10 per cent.

In 1980, the City began a full adjustment program which allowed landlords to pass on up to 75 per cent of the increased cost of heating fuel to tenants in the form of higher rents. In 1983 the adjustment was keyed to a reduction in the cost of fuel. Many landlords failed to reduce the rent accordingly and were cut off from the fuel adjustment program as a result.(5)

Rent Stabilization:

The rent stabilization system applies to certain classes of apartment hotels and rooming houses, as well as apartments. Increases are determined by the Rent Guidelines Board and are issued in a series of annual rent orders.

When determining the increase, the Rent Guidelines Board considers:

- economic conditions of the residential real estate industry
- prevailing and projected tax rates
- operating, maintenance and labour costs

- costs and availability of mortgage financing
- housing supply
- vacancy rates.

Separate increase allowances are given for one-, two- and three-year leases with existing tenants and for vacancy leases (i.e., new leases) with new tenants. The vacancy lease allowance is added to the renewal lease increase allowance. Where the occupancy of a stabilized apartment changes, the new rent may be increased by an additional fifteen per cent in 1981 (it was only five per cent in 1979) above the renewal guidelines to compensate for the drastic rise in mortgage financing costs. The Guideline Board is attempting to shift the burden of rising operating costs from resident tenants to new tenants.(6)

Tenants are entitled to a written lease renewal. An owner may not harass a tenant to obtain the vacancy of the unit.

Tenancies may be terminated if landlords want the unit for their families or for their own use, for a proprietary lessee, or if a tenant has refused to sign the lease. A dwelling unit or units may be withdrawn from the market upon application by the landlord to the Conciliation and Appeals Board if:

- the owner needs the premises for a business he owns and operates
- where he intends to demolish the building and use it for other purposes(7)
- where the condition of the building is dangerous and would cost more to remove than the value of the building

- where the building or land is required by a hospital or charitable institution.

Both the rent control (MBR) and rent stabilization systems provide for periodic increases in minimum rent ceilings that are tied to changes in operating costs.

Senior citizens in either rent controlled or stabilized units who would pay more than one-third of their income in rent are exempt from rent increases. In these cases, landlords receive a credit against property taxes.

Administration:

The Rent Control Division of the New York City's Department of Housing Preservation and Development is responsible for the administration of rent control.

Three agencies, the Rent Guidelines Board, the Rent Stabilization Association and the Conciliation and Appeals Board, share the administrative responsibilities for rent stabilization. A brief description of these agencies follows.

The Rent Guidelines Board's members are appointed to represent tenants, owners and the general public. The Board establishes maximum rates for rent increases for lease renewals and new leases following vacancies and the increases established rely heavily on estimates of changes in operating costs in rent stabilized buildings. All owners of apartments subject to the stabilization law are required to join the Rent Stabilization Association or their properties will come under rent control. The Association's responsibilities include:

- enrolling building owners
- drafting a code of conduct
- collecting dues to pay for the costs of administering a substantial portion of the rent stabilization system.

The Conciliation and Appeals Board, an independent public agency to enfore the law, hears and resolves landlord and tenant disputes. Its orders are final and binding, but are subject to judicial review.

1.2.2 Great Britain

Great Britain has had a long experience with rent control. Legislation was first introduced in 1915 as a "temporary" wartime measure and has been in place ever since. Over the years, some attempts were made to remove certain types of units from rent control, but now virtually all private rental units are covered by rent control or regulation.

The 'fair rent' principle was introduced to regulate rents on unfurnished units in 1965 and in 1974 was extended to cover virtually all apartments, furnished or unfurnished.

Rent regulation is only one part of the government's housing and incomes policy. Rent rebates and rent allowance schemes are available to private housing tenants.

A chronological summary of the history of British rent control legislation follows.

History:

1915	The Increase of Rent and Mortgage Interest (War Restrictions) Act was passed in response to a housing shortage brought about by World War I. Rents were fixed, security against eviction was provided for, and rising mortgage interest rates were halted.
1920	The 1915 Act was extended to 'middle' class houses.
1923	Gradual decontrol began for units becoming voluntarily vacant or where a sitting tenant accepted a lease of at least two years. A Committee of inquiry into rent control was set up.
1925-1927	Legislation was passed extending the 1923 Act.
1927-1933	Annual legislation was enacted keeping the 1923 Act in force.
1931	A Committee of inquiry into rent control was established.
1933	The Rent Act further decontrolled the more expensive housing and set the process for decontrol of moderately priced units.
1937	Committee of inquiry was established to look into rent control.

1938	There was further decontrol of the more expensive houses and controls were tightened on cheaper houses.
1939	The Rent Act extended controls and reimposed controls on existing dwellings and on the more expensive houses.
1945	Another Committee of inquiry into rent control was announced.
1954	Increases were allowed in the level of controlled rents, but there was no decontrol provision.
1957	A wide variety of "frozen" rents existed for most of the privately owned rental sector, with rents related to the date of fixing rather than to the quality of the premises. The decontrol process began again with the Rent Act and as a result a large portion of the more expensive dwellings were returned to the free market.
1958	An Act to Delay the 1957 Act until 1961 was passed.
1963	The Milner-Holland Committee of Inquiry was set up.
1965	The Rent Act introduced rent regulation for unfurnished units based on the setting of "fair rents", where the landlord and tenant could not reach agreement on their own.
1968	A Consolidating Act was passed.

1969 A Committee of inquiry was set up to see whether furnished accommodation should be included in the 1965 provisions.

The Housing Act provided for conversion to a fair rent where a dwelling was improved to a given standard.

1971 The Francis Committee report proposed bringing controlled rents within the fair rent guidelines, phasing increases in over two or three years and made recommendations aimed at increasing investment in rental housing by seeing that fewer properties come under the fair rent procedure.

1972 The Housing Finance Act sought to extend the system by converting both private rent controlled tenancies and local government council tenancies into regulated tenancies at fair rents. Virtually all rented property came under the rent regulation umbrella as a result.

1974 The Rent Act extended the "fair rent" system to cover virtually all unfurnished and furnished apartments. One major exemption was created for flats in resident-owned buildings.

The process of dismantling the 1972 Act began by temporarily halting the 1972 Act provisions transferring properties from old control to the newer regulation.

March 1974 A one-year total freeze was declared on all rents as an anti-inflationary measure.

March 1975 The freeze was lifted, but the rate at which regulated rents could be increased was restricted.

The Housing Rents and Subsidies Act was passed. Landlords of rent controlled units were permitted to increase the controlled rent by a proportion of the cost of any repairs.
The 1974 Rent Act was extended and the system of rent fixing for public sector housing was revised.

1977 The Rent Act 1977 was passed, limiting the rent which a landlord may lawfully charge a tenant and providing security of tenure to "fully protected" tenants. Fully protected tenants are those in private sector tenancies who, for the most part, do not have resident landlords.

1980 The Housing Act, 1980, provided security of tenure for public authority tenants, but the rents are not subject to the type of control exercised over the private sector.

Principles:

There are several levels of protection included under "full security":

1. Controlled: - the limit of the rent chargeable is set at a figure related to the rateable value of the property at a certain specified date
   - applies automatically to a tenancy and remains in force until the

tenancy expires (i.e., death without a successor, departure, or conversion to regulation).

2. Regulated:
- subject to the "fair rent" system
- a rent limit is fixed by a Rent Officer
- there is security of tenure unless the premises become vacant, overcrowded or subject to closing or demolition, public housing or the landlord can prove to the Court that he is entitled to an order of possession

The grounds for repossession are:

- non-payment of rent
- nuisance, damage or immoral or illegal activities
- the landlord has lived there before and wants the unit back for his own use or that his family
- the tenant has broken a condition of the tenancy agreement
- the tenant is offered suitable alternative accommodation
- exemptions: holiday lettings, student lettings, public housing, luxury accommodation (based on the rateable value of the unit), boarding houses, tenants of a resident landlord, agricultural holdings, licensed premises.

Either a landlord or tenant may request a review of the rent. In determining a fair rent, the Rent Officer takes into consideration the following factors: age, character, location and state of repair, quantity, quality and condition of furniture, if provided, and, comparable rent. Factors to be disregarded in the determination of a fair rent are: scarcity value (any portion of the rent that could be attributable to shortages), damage attributable to the tenant, any improvement made by the tenant not included in the tenancy agreement, and the tenant's personal circumstances.

A fair rent applies to any subsequent tenancy unless a new application is made. An application for new registration is permitted every two years even if there has been no change in ownership and occupancy. The exceptions to the three-year interval are if a landlord and tenant apply jointly or if substantial changes have occurred in the tenancy, such as any improvements made or deterioration. The date of application for a review of the rent is the effective date of the fair rent. If either party is dissatisfied with the decision of the Rent Officer, he may appeal to the Rent Assessment Committee.

Since 1965 each Rent Officer is obliged to maintain a rent register which gives the rent (exclusive of utilities) and details of the services provided, how much rent is paid for them, and the balance of obligations for repair between the landlord and the tenant.

"Unprotected" tenants may make application at any time to the Rent Tribunal to have the existing rent reviewed. The Tribunal has the authority to reduce, confirm or increase the existing rent and its decision is binding on the landlord. The rent is registered exclusive of rates and remains effective indefinitely. There is no provision for backdating the rent to the date of application for review.

Tenants of local authority housing have a rent rebate available to them and local authorities administer a rent allowance program which is based on a needs allowance, total income and amount of rent paid.

Administration:

A number of separate agencies are involved in the administration of rent control:

Rent Officers:	for all tenants covered by rent regulation
Rent Tribunals:	for "unprotected" tenants
Rent Assessment Committees:	appeal bodies for either party
The High Courts:	final appeal, on a point of law.

1.2.3 Europe

Rent policy in Western Europe can be divided into three periods:

1) post-war
2) decontrol in the 1960s
3) stabilized rents in the 1970s.
(McGuire, 1981, p. 63)

Most European countries enacted rent control legislation during World Wars I and II as part of their wartime price control and rationing programs. After World War II, controls were retained over portions of the rental market on the basis that housing shortages would lead to extremely high rents if left to market forces.

In the 1960s many countries began the process of gradually decontrolling rents.

The concept of rent stabilization or equalization surfaced in the late 1960s and early 1970s. Germany, Switzerland and Sweden have substituted rent arbitration for control. In a system of arbitration, rent increases may be challenged. These countries and others have strong security of tenure laws which make evictions difficult and have introduced measures to stimulate investment in rental property. The use of government housing subsidies, such as rent rebates, differential rents, and housing allowances, have been introduced to assist low-income tenants.

In spite of the governments' efforts to phase them out, rent regulations have endured because of sustained inflationary pressures and a lack of alternatives. Housing subsidies and other assistance schemes have not yet reached the level needed to provide social housing to all those who need it. Therefore, political and social pressures will continue to urge the use of regulations as an instrument of social housing policy. However, the trend in Europe in recent years has been to move away from restrictive forms of rent control.

The following section provides a brief, chronological outline of the evolution of rent controls in France, West Germany, the Netherlands, Denmark and Sweden.

France

In 1914 rent control was introduced in France as a temporary, wartime measure and rents were frozen.

1922 A tenant's right to retain possession was confirmed, but rents were raised, slightly. New buildings since 1915 were exempt from controls. Successive increases were granted in further laws.

1935 There was a 10% reduction in rents as part of a package of measures designed to reduce the cost of living and implement a policy of deflation.

1943 All rents were frozen, including those of the new buildings previously exempt.

1945-1947 New laws provided for rental increases

- pre-1914 -- 70% above 1939 price
- post-1914 -- 30% above 1939 price.

1948 The legislation was codified and amended to exempt all new construction built after 1948. As a result, there has been no rent control of private unsubsidized housing since September 1, 1948, except as part of a broader anti-inflationary policy. (Brenner and Frankin, 1977, p. 22)

Two methods were used to establish base rents:

1) forfaitaire: freezes or rolls back rent to July 1, 1948 levels
2) system of corrected surface area: takes into account size, location, amenities....

The parties may agree on the historical rent, but either may elect the rent based on corrected surface area, and this is now (1977) common.

According to Brenner and Franklin (1977, p. 22), periodic increases were allowed under either system "within limits that are set by law but often changed." The increases are now granted annually and range between 6-17%; they were previously granted semi-annually. Other reasons for increasing rents are:

- professional activity (a 30 per cent increase is allowable)
- underoccupation, as defined by law (allowable increase is 50 per cent)
- major improvements.

Since the reforming statute of 1948 France has been moving progressively from a system of salary-based rent to one of market-based rent which, it is argued, will give a sufficient economic return to the private landlord to enable him to maintain premises in proper repair. (Brown, 1970, p. 210)

1953 A rent freeze came into effect.

1959 Vacancy decontrol was permitted in cities and towns of less than 10,000 population, not surrounding metropolitan cities. In larger cities and towns, vacancy decontrol occurs only where the dwelling meets minimum standards of comfort and amenity, having mainly to do with plumbing.

1964 Rents were frozen.

1968 The most expensive housing was decontrolled.

Deregulation of rents was made possible in one of three ways:

1) by municipal request
2) by vacancy decontrol
3) by vacancy decontrol and improvement of dwelling.

According to Brenner and Franklin, the 1948 legislation:

> Envisioned eventual deregulation. This deregulation may...be by any category of housing, by geographic area, or by individual unit. The national government -- which makes all significant decisions involving housing -- has devised a fairly elaborate system for classifying dwelling units according to size, amenity and location. Periodically the ministry responsible for housing decides to free the rents in an entire category over the whole of France. ...Theoretically the entire market will eventually be decontrolled in this manner. The general view...is that total deregulation is impracticable because of its social, economic and political effects, and the only categories of housing that have yet been deregulated are for the upper and upper-middle income groups. (1977, p. 23)

1971 The housing allowance system was liberalized to include old people, young workers and the disabled in order to help them cope with regular rent increases.

The National Agency for the improvement of Housing was created to provide financial assistance to landlords of pre-1948 housing to carry out maintenance and repairs to the rental housing stock.

1974 A rent freeze was in effect. In late 1974, rent increases were limited to 5.8 per cent.

1975 Increases in 1975 were held at 7.5 per cent and applied to all rental housing.

1976 Public and private sector prices were temporarily frozen again on September 15, 1976.(8)

The rent freezes and limits between 1974 and 1976 seemed to be part of a general prices policy affecting sectors other than housing.

Federal Republic of Germany

The Federal Republic of Germany introduced rent controls during World War I. After World War II new construction was made exempt from control, but strict regulations still applied to the pre-war stock.

1960 The Housing Controls (Removal) Act eliminated the old-style rent control which had covered pre-1948 housing.

The housing allowance system was revised and extended to help reduce the burden of increased rents for those whose incomes had not risen accordingly. The housing allowance system is based on a tolerable rent for a family. This, in turn, is based on family size and income and usually estimated at between 5 and 20 per cent of income. The difference between the actual cost and the tolerable rent is the allowance which is provided to the family if the rent is within bounds. Government standards require that the rent be reasonable. (McGuire, 1981, p. 154)

1966 Only Munich, Hamburg, and West Berlin still had controls in place.

1968 The process of decontrol was completed. A new system of limited control, covering all unsubsidized private housing, whenever built, came into effect whereby rents were freely set between landlords and tenants when they reached their first agreement. The control system operates only to limit subsequent increases to the rental norm prevailing in that area.

1974 Since the Tenancy Protection Act was passed in 1974, tenants have had considerable security of tenure. Tenants can be evicted if he fails to pay the rent or the owner needs the unit for his own family.

> In addition, rent increases that are contested are settled by court arbitrators. ...The arbitration...is based on the concept of comparable rents, less any shortage premium. As in the United Kingdom, there is an attempt to set rents based on some standard that would remove any premium due to the landlord because of shortages. (McGuire, 1981, p. 154)

Under the prevailing system, rents are not controlled when a landlord and tenant first make a contract. Only the level of subsequent increases is regulated. Rent increases in the private sector can be obtained on the basis of:

- comparable rents
- increases in operating costs, capital costs and mortgage interest costs (pass through)
- modernization costs, but tenant approval is required prior to work beginning; a maximum of 14% of the costs is allowed. (Brenner and Franklin, 1977, p. 18)

Rent usury -- demanding an exorbitant rent -- is a criminal offence. Security of tenure exists for all tenants by virtue of the so-called "social clause" introduced in 1968. The clause gives the tenant a veto, whereby he may claim the continuation of his tenancy on the grounds of hardship and the courts have to balance the hardship to the tenant against the reasonable interests of the landlord. (Brown, 1970, p. 211)

The Netherlands

Rents were frozen in 1940 at the May 1940 level and remained frozen until 1951 when the government introduced a policy of gradual annual increases.

1967 Under the rent adaptation plan, rents for subsidized rental housing were raised at the annual rate of 4%. The rate was later raised to 6%. Simultaneously, the government reduced annual housing production subsidies by an equivalent amount with the objective of eliminating them completely in 10 years. A new annual subsidy program was set up to reduce rents on "newly constructed housing" to the average of the preceding five years. This new plan was intended to eliminate distortions in rent structure by raising rents on older units to put them in line with market-cost prices of newer units.

To replace the general subsidies removed each year as rents increased, the government began a consumer subsidy to prevent hardship using a rent-income ratio of between 14 and 16.5 per cent ("normal" rent-income ratio). To qualify for the allowance, a person had to have an income below $5,000 per year. (Howenstine, 1977, p. 25) This new plan was intended to eliminate distortions in rent structure.

1974 A new method for calculating acceptable rent increases was introduced which took into account a five per cent return on capital, expected increases in operating costs, and an inflation factor. Maximum rent-income ratios were established ranging from 10 to 16.2 per cent. The individual rent subsidy equalled the amount that the rent exceeded the maximum rent-income ratio. A rent re-adjustment grant, in the form of a declining 3-year subsidy, was created to encourage tenants with good incomes to move from low-rent to high-rent dwelling units. The grants were available only to tenants with annual taxable incomes below $8,300 and the rent increase had to be at least $250 per year.

1976 In Amsterdam, Rotterdam, The Hague and Utrecht, there are controls on pre-war rental housing stock and on housing built or operated with a subsidy. Nearly all housing built after the war, without subsidy, is luxury housing. In the quasi-public sector, base rents are based on a formula of historic costs. In the private sector, rents are fixed by assessment. Low-income tenants are not meant to pay more than 10% of their income for rent, even though rents average 18.9% of income. Most or all of the balance is subsidized (the landlord receives the payment).

With its rent adaptation scheme, the government is trying to raise the rents on older units to bring them in line with the market-cost prices of newer units. A new method of rent calculation which spreads the financing cost over the life of the building is used in new buildings.(9)

Denmark

As a result of the strong inflationary pressures after World War II, rent controls became part of the wage and price control policies being used by the Danish government to fight inflation.

1967 Rent evaluation boards were established to fix "normal" rent levels. A "normal" rent was defined as that which would prevail in a market without a shortage and with a lower interest rate.

Rents on old housing were permitted to increase by one-eighth of the difference between existing and "normal" rents, per year, in the hope that eventually controls could be eliminated.

A "graded" rent plan was adopted providing for the payment of a rent rebate based on the rent-income ratio of the household. The rebate was paid to all tenants and equalled three quarters of the amount that their rents exceeded a "fair share" of their income. In principle, 20 per cent was considered fair but income levels and number of children were important factors in setting ratios below that level. According to Howenstine (1977), the bulk of the allowance has been paid to occupants of new housing which came on the market at a higher cost-rent level. He suggests that the 20 per cent rule was sufficiently high that tenants in old housing would assume most of the burden of the increase. Further, Howenstine says that even with the amount of subsidies the disparity in rent levels between old and new housing has continued to widen because building costs were rising even faster (p. 24).

The Rent Act provided that 50% of the rent increase in privately owned housing during the next 8 years be paid into a special loan institute controlled by a board made up of landlords, tenants and government officials. The money was used partly for loans to rebuild and modernize older housing.

1974 The principle of economic rent, including a 7 per cent return on capital, was adopted to encourage investment in the private rental sector. Rent increases equal to fifteen per cent of rent for pre-1949 housing was set aside for external maintenance, and rent increase ceilings (ranging from 15 to 40 per cent) were permitted until July 1976. Local governments could decide whether or not to retain rent controls.

Sweden

An emergency regulation was introduced in 1942 enabling the introduction of rent controls.

1958 From 1958 on, rent controls were gradually lifted by means of a series of vacancy decontrols and incentives, such as the provision of direct rental subsidies for hardship cases.

1969 The co-operative sector was decontrolled.

1975 Rent controls were abolished and a new rent regulation system which covered all rental units, except cooperatives, was established. The new system required all rents (like wages) to be decided by negotiations between bargaining blocks of tenants and landlords. Self-supporting, non-profit council rents were intended to be the guideposts for rent levels in private dwellings.

The two main bodies involved in the negotiations were the National Association of Tenants and the Association of Local Municipal Authorities (the landlord block), which controlled the largest block of apartment units and which was politically motivated to charge below-cost rentals. According to Rydenfelt (1981), the government has to pay that part of the rent which the tenant refuses to pay. The government subsidizes the rents by paying the difference between the tenant determined rent and the landlord determined rent.

1.2.4 Australia

During World War II, in conjunction with price controls, the Commonwealth Government legislated protection for tenants because of an acute housing shortage.

Since 1948 the individual State governments have continued to protect tenants by introducing rent controls and immunity from eviction. Western Australia and Tasmania repealed the restrictive legislation, New South Wales, Victoria and Queensland exempted new premises or lettings, and South Australia enacted the Excessive Rents Act allowing the local court to review rents and restrict a landlord's right to terminate a tenancy.

Three states currently have rent control legislation in place. They are all fair rent systems(10) and have some degree of flexibility in the sense that the rent can be varied on application to an administrative body.

South Australia

History:

1936-1974	Landlord and Tenant Act (which regulated forfeiture and distress of rent)
1939-1942	Increase in Rent (War Restrictions Act)
1940-1978	Housing Improvement Act (regulated rents for substandard housing)
1942-1962	Landlord and Tenant (Control of Rents) Act
1962-1978	Excessive Rents Act (tenant could apply to a local court to determine whether a rent was excessive)
1978	Residential Tenancies Act.

Principles:

The Residential Tenancies Act, 1978 was, in effect, a "code of rights" for the landlord and tenant. The landlord obtained new rights in relation to damage by tenants and tenants were given new rights in relation to security bonds, security of tenure, and protection from landlord interference and discrimination against children.

The Act established a Residential Tenancies Tribunal with exclusive jurisdiction to hear and determine a wide range of landlord and tenants disputes and empowered the Commissioner to investigate and report on all matters affecting the parties to residential tenancy agreements.

A tenant may apply to the Residential Tenancies Tribunal for an order declaring the rent payable to be excessive. In determining whether the rent payable is excessive, the tribunal considers:

- comparable rents
- the estimated capital value at the time of application (current replacement cost, less depreciation)
- cost of services provided by landlord or tenant
- amount of costs in respect of the premises to be borne by the landlord
- the value of the fittings and appliances provided
- the accommodation and amenities provided and the general state of repair and general condition of the premises.

The tribunal may order that the rent payable shall not exceed a specified amount from a day not earlier than the date of application. The order will remain in effect for one year. Upon application of the landlord, the tribunal may vary or revoke the order.

Administration:

The Residential Tenancies Tribunal was established by the Act to resolve landlord-tenant disputes. The Consumer Affairs Department administers the operation of the statute and secures the rights of tenants. Points of law may be referred to the Supreme Court of South Australia.

New South Wales

History:

New South Wales had some form of rent control almost continually from 1915 until 1948. The early legislation (Fair Rents Act, 1915) incorporated an opportunity cost calculation resulting in a 'fair return' provision.

1948 The Landlord and Tenant (Amendment) Act provided for rent control and restricted evictions and replaced earlier fair rents legislation. Rents were set at the December 31, 1939 level. Rents could only be changed by a decision from a rent setting tribunal.

1954 The Act was amended to allow for gradual decontrol. New and previously unlet dwellings for which vacant possession could be attained were released.

1958 Amendments allowed rents on dwellings voluntarily vacated, or where tenants were evicted on grounds of their own default, to be set at market levels.

1964 Another amendment allowed agreements on rents between landlords and tenants (controlled rent plus premium).

1965 New administrative procedures instructed rent control authorities, on application by landlords, to send tenants questionnaires seeking information on tenant gross income. Tenants who qualified as "wealthy tenants" (gross income of $6,000 or more) were required to enter into a new agreement to pay a rent based on current value.

1968 An amending bill effectively removed all but low-income and pensioner tenants from rent increase protection. The wealthy tenant procedure was incorporated into the Act.

Principles:

The Landlord and Tenant (Amendment) Act, 1948, as amended, is still in effect. Premises are subject to rent control if constructed before December 16, 1954, not subject to a lease current on or after January 1, 1969, registered with the Rent Controller. Residential units (created by converting dwelling into self-contained accommodation), which existed before January 1, 1969 and registered with the Rent Controller are also covered.

Either the landlord or the tenant may apply for determination of a fair rent. The power to determine rents is shared between the Rent Controller and the Fair Rents Board. The determination of a fair rent is based on the rental value of the premises on August 31, 1939 or the date of erection (whichever is later) plus the amount of outgoings (i.e., rates, insurance, repairs and maintenance, depreciation, interest and a charge for management expenses, comparable rents, services provided by landlord or tenant, value of goods leased with the premises, and any amount spent on improvement or structural alteration). The usual annual allowance for repairs is $100, but the administrative bodies have no power to order repairs (Bradbrook, 1975a, p. 99). There is a provision for fair rents to be revised periodically to take account of inflation. A landlord applies to the Rent Controller or Fair Rents Board for an assessment of the fair rent. The board adds to the existing fair rent, calculated annually, "a reasonable allowance" for any increase in the interest rated charged overdrafts by the Commonwealth Trading Bank of Australia (Bradbrook, 1975a, p. 99).

A landlord may apply to have the rent determined at the current value rental if a tenant's income (as of 1980) is $10,000 or more.

Business premises are exempt since January 1, 1969 and upon payment to the Rent Controller of a $2 fee, the following units can be excluded from control:

- vacant unit taken possession of after January 1, 1969
- unit occupied by a landlord on or after January 1, 1969
- unit obtained, but not registered until after January 1, 1969.

Administration:

The State Rent Controller and the Fair Rents Boards share responsibility for determining rents.

Victoria

History:

Subsequent to the removal of the Commonwealth Landlord and Tenant Regulations after the Second World War, Victoria enacted the Landlord and Tenant Act which contained provisions for the control of rents. In 1953, new leases and all leases on dwellings not leased between 1940 and 1954 were decontrolled. This act remains in effect, with amendments, as of 1980(11) with the following principal changes.

1955 All dwellings rented in 1940 above a specified rent level became subject to an agreed rent. If a voluntary agreement could not be reached, a determination based on current capital value could be requested.

1956 Leases of three years or more could be subject to an agreed rent. Upon vacancy, units could be leased without an externally determined rent. The base rent (1940 rent) could be increased by up to 25 per cent.

1959 Rents on most dwellings could be fixed by agreement. All premises leased between December 31, 1940 and February 1, 1954 which had not been relet to another tenant, or had become vacant, or excluded by orders-in-council remained subject to rent determination provisions.

Principles:

The State Rental Investigation Bureau receives complaints from tenants and puts forth a recommended rent. The Bureau assesses the rent at 7% of its capital value plus an allowance for legitimate expenses (i.e., rates, land tax, maintenance, insurance, a 20% depreciation on furniture, a renewal reserve, plus a 5% agency collection fee). The capital value is based on a consideration of the size of the block, recent sales of comparable premises and recent assessments by the relevant municipal council.(12)

Rent assessment is carried out by the Fair Rents Board which considers the following items when determining a fair rent:

- capital value
- annual rates, insurance, land tax and real estate agent's commission
- estimated cost of annual repairs, maintenance and renewals
- depreciation
- comparable rents
- interest rates
- hardship to landlord or tenant.

Once the fair rent has been determined, further proceedings are prohibited for six months, except in cases where there have been substantial alterations, injustices or a decrease in goods provided. There is no retroactive fair rent.

Each tenancy is reviewed separately -- even where the administrative body is aware that all tenants of a particular landlord are paying excessive rents, it can only assist the tenant who complains.

Vacancy decontrol is still in effect for the remaining regulated units.

1.2.5 Hong Kong

Hong Kong's experience with rent controls began in 1921 with the passing of a Rent Ordinance. In 1926, the ordinance lapsed and controls were not in effect again until 1938. They have been in effect ever since except between 1967 and 1970. Some important changes have occurred.

A two-tiered system of controls is used. Part I controls apply to pre-war buildings. Tenants are granted security of tenure and rents are held to the 1941 level plus 155 per cent.(13) A permanent annual increase in rent is permitted if a landlord spends more than $5,000 (HK) on additions and improvements. According to Bradbrook (1977), controlled rents were 300 to 400 per cent below fair market levels in 1977:

> Thus, far from the government's stated policy of progressive increases leading to de-control, its actual policy has resulted in rent control for pre-war premises becoming further entrenched: rent levels are now so far behind market levels that it is virtually inconceivable that de-control could occur by progressive increases. (Bradbrook, 1977, p. 330)

Post-war premises are subject to Part II rent increase controls. A rent increase factor is used to calculate the permitted increase to a maximum of 21 per cent.

Two interesting features of Hong Kong's rent control mechanism are the unique methods of decontrolling rents made possible by the legislation. Under Part I of the Landlord and Tenant (Consolidation) Ordinance, a landlord and tenant may agree to a rent in excess of controls as long as a tenancy tribunal approves the terms of the agreement. The advantage of this type of arrangement is that the tenant has some bargaining power for negotiating repairs and services with a landlord whose unit is subject to the strict Part I controls. The second decontrol option provides that a tenant may accept compensation for surrendering or terminating his tenancy.

A brief outline of the history of rent control in Hong Kong since 1921 follows:

1921 The Rents Ordinance was enacted because of a large influx of refugees after World War I to: keep a roof over the heads of the sitting tenants and to encourage the construction of new buildings on vacant lands. Rents were restricted to those of December 21, 1921, but controls did not apply to buildings completed after December 31, 1921. The ordinance was renewed annually until 1926, although it was originally intended to last one year. The ordinance lapsed in 1926.

1938 The Prevention of Eviction Ordinance was enacted because of another influx of refugees.

Committees were established to consider and determine questions referred by a landlord or tenant relating to the rent payable. The Ordinance remained in effect until 1941.

1945 An historic date system of rent control was imposed by proclamation.(14) Rents were restricted to December 1941 levels and eviction was outlawed except in certain circumstances.

1947 The Landlord and Tenant Ordinance was enacted. It provided for the continuation of the historic rent method of control using the 1941 rent as the standard. A 30% increase was permitted above the standard rent. This is now Part I of the Landlord and Tenant (Consolidation) Ordinance.

1955 An amendment provided that exemption from rent control orders should enable a Tenancy Tribunal to require payment of compensation to the affected tenant.

1963 The Rent Increases (Domestic Premises) Control Ordinance was enacted. The rent charged on a new tenancy was not controlled and increases on existing tenancies were limited to 10% every two years. The ordinance provided security of tenure for two years following an increase.

1964 Controls were extended.

1966 Controls were abandoned.

1970 Controls were reimposed with the enactment of the Rent Increases (Domestic Premises) Rent Control Ordinance. This is now Part II of The Landlord and Tenant (Consolidation) Ordinance.

1973 The Landlord and Tenant (Consolidation) Ordinance was enacted. It applies to all post-war domestic premises with occupation permits issued before December 14, 1973. Premises exempt are:

- a tenancy governed by Part I
- where the tenant is employed by the landlord
- government housing.

Rent increases can be made by:

1. agreement (landlord and tenant)
2. application to the Rating and Valuation Department.

The maximum increase is 21% except where the rateable value is $30,000+.

A rent increase factor is used and the permitted increase is calculated by dividing by the rent increase factor, the difference between the fair market rent and the current rent, subject to the 21% maximum. The legislation imposes a maximum increase of 21 per cent every two years. Part II provides for a rent increase factor of 4 and the increase permitted is calculated by dividing by 4, the difference between the fair market value rent, estimated by the Department of Rating and Valuation, and the current rent, subject to the 21 per cent maximum. In 1973, the factor had been 5. Controls do not apply to a new tenancy.

Part II was designed to be temporary and was due to expire December 14, 1979.

1973 An amendment to Part I permitted a tenant to accept compensation for surrendering or terminating his tenancy.

1975 An amendment provided that once a tenancy tribunal approved an application the premises were automatically excluded from Part I controls, notwithstanding the termination or expiry of the agreement.

The permitted rent was increased in two stages from the standard rent. First, a 55% increase to the standard rent was allowed and in the second stage another 100 per cent increase was allowed. (i.e., old rent + 55% + 100%).

Landlords who spent $5,000 or more on additions or improvements to their property could apply to the tenancy tribunal for an increase beyond the standard rent of 20% per year of the amount spent and any increase in rates may be passed through.

1976 Part II was extended. The rent increase factor was reduced to 4 and the 21% ceiling remained in effect.

Effective 1975, Part II did not apply to:

- a public body
- corporation
- foreign government

- partnership
- firm.

Feb. 1980 Part II of the Landlord and Tenant 1980 (Consolidation) Ordinance was extended to cover almost all domestic tenancies in post-war buildings.

1980 A committee chaired by the Secretary for Housing was appointed to conduct a review of the ordinance. Its terms of reference were:

- to review the ordinance
- to make recommendations on various aspects of the legislation having reagrd to housing demand, the rate of construction of new housing, maintenance of the existing stock as well as to the needs of developers, owner-occupiers, landlords, tenants, and the community as a whole.

Members of the public, associations and other interested parties submitted representations.

May 1981 The Committee's report was published. The major recommendations was that rent control should be phased out.

A series of amendments were enacted in response to the report's recommendations.

Dec. 1981 Part II of the Landlord and Tenant (Consolidation) Ordinance was extended for a further two years.

A Committee conducted an overall examination of the Landlord and Tenant (Consolidation) Ordinance during 1980. Its report, published in May of 1981, recommended the phasing out of rent control as soon as circumstances permitted. The government endorsed the recommendation in principle, while recognizing it as a long term objective.

Currently, Part I of the Ordinance applies to both pre-war domestic and business premises. It restricts rents by reference to pre-war levels, while excluding new or reconstructed buildings. Increases in rent are permitted periodically,(15) but the permitted rent is not allowed to exceed the fair market rent. The Commissioner of Rating and Valuation certifies the user of the premises and their fair market rent. The department also provides a mediation and advisory service. Provision is made in the legislation for the exclusion of certain premises, such as dangerous buildings and those which are to be redeveloped. Therefore, every year the stock of pre-war buildings is diminishing. A tenancy tribunal determines the amount of rent payable and handles other tenancy matters.

Part II of the Landlord and Tenant (Consolidation) Ordinance provides security of tenure and controls rent increases for tenants and sub-tenants in the private sector. Increases are limited to a maximum of 21 per cent every two years. Following an upsurge of rentals in the uncontrolled sector and in the domestic property market in 1979, the ordinance was amended in February 1980 to extend controls to almost all domestic tenancies in post-war buildings. As a result, nearly all tenants previously excluded were provided with security of tenure and protected from excessive rent increases.

Part II was to have expired in December 1981 but was extended for a further two years. The legislation now covers the majority of tenancies and subtenancies in post-war domestic premises in the private sector. Tenancies in buildings first certified for occupation after June 18, 1981 and tenancies in premises with a rateable value of $80,000 or more (effective December 19, 1981) are excluded. Effective December 19, 1982, tenancies in buildings with a rateable value of $60,000 or more became exempt. Guidelines are provided for determining applications for possession in cases where landlords intend to rebuild.

Landlords and tenants are free to agree on a rent increase, but the agreements must be endorsed by the Commissioner of Ratings and Valuation. If no agreement is made, a landlord may apply to the Commissioner for a certificate stating what increase may be made to the current rent. The amount of the increase is determined by taking the difference between the fair market rent and the current rent, subject to a maximum of 30 per cent of the current rent. Increases are permitted only once in two years.

Notes to Section 1

(1) As cited in Bucknall (1977, footnote 5).

(2) For Ontario, see Ontario (1984). Also see Arnott (1981), Bucknall (1977), Stanbury and Thain (1985) and Stratford (1982). The summary tables include a description of Ontario's system and a catalogue of legislation.

(3) Equalized assessed value is the price the New York State Board of Equalization and Assessment estimates a willing buyer and seller of the property would agree upon. These values are used to resolve inequalities caused by different methods of assessment used in different localities (Arnott 1981, 151).

(4) See Arnott (1981, 156-158) for further explanation.

(5) Communication with Greg Girard, Rent Stabilization Association.

(6) Stegman (1982, 31).

(7) The owner must obtain permission from the Department of Housing, must have an architectural plan which has been approved by the Building Department, and must apply for the "right not to renew" for each unit in the building. (Communication with Greg Girard, Rent Stabilization Association).

(8) The rate of increase in the Consumer Price Index was 11.7 per cent in 1975 and 9.8 per cent in 1976 (United Nations Statistical Yearbook, 1979-80, 721).

(9) This "current" information is derived from Brenner (1977).

(10) The basis of computation of a 'fair rent' was to allow a 5 per cent net return on the value of the property with additional amounts to cover the actual rates and insurance charges and estimated allowances for maintenance, depreciation, and rent collection (Albon 1980, 128).

(11) The Residential Tenancies Bill was introduced in 1978 and replaced by a new version in December, 1979. See Parish (1980) for an overview of the features of this proposed legislation.

(12) A detailed assessment form is used by the Rental Investigation Bureau's inspectors. The capital value is adopted after consideration of the size of the block, an examination of recent sales of comparable premises and recent municipal assessments (Bradbrook 1975a, 93).

(13) There was a 30 per cent increase in 1947, a 25 per cent increase in 1953, and a 50 per cent increase in both 1975 and 1976 (Bradbrook 1977, 325-328). All increases were calculated on the 1941 base rent.

(14) The historic date system arises when the legislature assesses rents payable by reference to actual rents paid on a certain date in the past.

(15) In May 1980, rents on domestic premises were allowed to be increased to six times the standard rent; in May 1981, increases to eight times the standard rent were allowed. Business premises were allowed a larger income, 12 and 18 times the standard rent respectively.

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SECTION 2: HOUSING PROGRAMS, INITIATIVES AND RELATED POLICIES IN ONTARIO

The three levels of government -- federal, provincial and municipal, all intervene in housing markets with a variety of programs, initiatives and related polices. At the federal level, but also provincially, housing policies have been implemented to improve housing market efficiency, particularly the mortgage and rehabilitation markets. As well, programs are implemented to stabilize the industry or as a means of overall economic stimulation, or both. All levels participate in assisted housing projects. Provincial and local governments perform a critical role in the housing supply process through planning and development regulations. Additionally, municipal governments may initiate housing policies in response to changing local market conditions and issues.

2.1 Federal

Although there were housing programs prior to the mid-1930's,(1) federal government activity via national housing policy became a permanent feature of Canadian housing markets during the Depression. The Dominion Housing Act was passed in 1935. A loan fund was established to assist developers and owners in financing new construction. Over a three year period, $20 million helped finance about 5,000 units (all provinces).(2) The major objective was to stimulate the economy. Under this program, loans were made jointly with authorized private lending institutions (25/75 per cent basis). As well, the federal government provided an interest subsidy and capital guarantee which:

> Virtually eliminated all risk of capital and interest loss on funds advanced by institutions. (Canada, Task Force on CMHC, 1979, p. 5)

The government also had the right to set lending terms and conditions under which funds could be advanced. As a re-employment measure, the Federal Home Improvement Plan (1937) provided a subsidized interest rate on rehabilitation loans for about 67,000 dwelling units nationally (Hulchanski and Grieve, 1984, p. 60).

The National Housing Act was passed in 1938 to help eliminate unemployment, stimulate the economy and to improve housing conditions particularly for low-income families. The Act contained provisions for:

1) federal homeownership mortgage loans (90 per cent loans on houses costing less than $2,500 and guaranteed loans of $4,000 or less in remote areas). Over 4 years 15,000 loans were authorized nationally.

2) construction of low-rental housing units to be leased to low and moderate income families at below market rents (90 per cent loans at preferred interest rates were offered to local housing authorities, limited dividend companies and non-profit housing associations).(3)

3) low cost ownership housing (if municipalities provided building lots for $50, the federal government would pay all property taxes in the first year on houses costing less than $4,000 and 50 and 25 per cent in the following two years).

Rent controls were introduced in 1940 as part of the federal government Wartime Measures legislation. Wartime Housing Limited, established in 1941, built

46,000 housing units nationally ($235 million) over a nine year period (Hulchanski and Grieve, 1984, p. 60).

The National Housing Act, 1944, contained amendments to deal with anticipated housing shortages and unemployment following World War II demobilization. Basically a consolidation of earlier legislation, it maintained the provisions for joint loans, loan guarantees and loans to limited dividend companies. Central Mortgage and Housing Corporation (CMHC) was created in 1945 to administer the Act.(4)

Under the National Housing Act, 1949, a federal-provincial partnership technique was introduced to acquire land and to design, build and operate public housing projects. The federal government provided 75 per cent of the capital and operating costs to provinces undertaking the construction and operation of public housing projects. The provinces provided the remaining 25 per cent, part of which could be passed to municipalities. Rents were established on a geared-to-income basis. About 12,000 units (all provinces) had been built by the early sixties.

The current system of mortgage insurance, introduced in the 1954 National Housing Act, constitutes CMHC's main business activity. It replaced the joint lending method of finance although the government maintained the right to set the interest rate on NHA mortgages. By law, all high-ratio mortgages (over 75 per cent of property value) made by institutional lenders must be insured. The insurance program protects the lender from costs incurred due to borrower default and is financed by insurance fees paid to CMHC by the borrower (Canada, Minister Responsible for Canada Mortgage and Housing Corporation, 1985, p. 4). No public funds are involved. Also included in the Act were provisions for:

1) the establishment of a secondary market in NHA mortgages; and
2) chartered banks, previously excluded from the market, to initiate NHA loans.

According to the Task Force report on CMHC, the primary objective of these changes was to increase the availability of mortgage funds from the private sector:

> By creating a virtually risk free investment in mortgages and setting the change for absorbing these risks below what lenders would normally incorporate in their calculation for making an uninsured loan, the loan guarantee and insurance program enhanced the long run desirability of residential mortgage investments. (Canada, Task Force on CMHC, 1979, pp. 6-7)

The supply of mortgage funds was increased through direct lending to make up for a private sector shortfall,(5) in the mid-fifties and, in the late-fifties, to stimulate the economy. CMHC lending was considered residual (lender of last resort). Borrowers had to demonstrate via rejected loan applications that they were unable to obtain private financing on NHA terms. This type of intervention has continued into the eighties but is now limited.

Major amendments to the NHA in 1964 enabled CMHC to:

1) provide direct loans to provinces for public housing projects (90 per cent of the capital cost) and to share the operating loss (50/50 basis); ninety per cent loans for land acquisition and infrastructure servicing were also provided;

2) make loans to provincially owned non-profit corporations for low rental projects; and

3) permit greater funding of urban renewal programs on a wider range of projects.(6)

These changes had three effects:

> First, they resulted in a decentralization of housing policy, with provincial housing corporations beginning to assume increased responsibility. Second, the amendments shifted the focus of CMHC from one of market efficiency concerns to one of redistribution. Third, CMHC in conjunction with the provinces began to undertake programs such as land assembly which before had been undertaken by the private sector. (Canada, Task Force on CMHC, 1979, pp. 8-9)

The initial emphasis of the redistributive policy was on low income households via the construction of public housing and subsidization of limited dividend projects. The subsidization of non-profit and cooperative projects was designed to assist moderate income renter households. However, in the late sixties and early seventies concern shifted to ownership programs for low and moderate income families. For example, the federal Assisted Home Ownership Program (AHOP-1973) provided loans and grants to help low income families with children become owners of modest priced houses. Housing programs that had renter, owner and rehabilitation components were established to address the housing needs of rural and native people.

Several programs operated through the tax system. The Registered Home Ownership Savings Plan (RHOSP) allowed a resident taxpayer who did not own residential real estate to contribute to a RHOSP and subtract this contribution from taxable income. The Income Tax Act was amended to authorize the Multiple Unit Residential Program (MURB). This program enabled individuals investing in rental housing to deduct from personal, non-rental income losses arising from the capital costs allowance.(7)

Several studies (for example, Fallis, 1981, 1980 and Smith, 1983) suggest a major change in housing policy occurred during the 1970s. Whereas, in earlier periods, government policy encouraged the private sector by improving market efficiency, the seventies were characterized by redistributive direct intervention and regulation that discouraged the private rental sector. For example, the large scale construction of public housing and subsidization of non-market rental projects (limited dividend, non-profit and cooperative housing) for low and moderate income households competed directly with the private sector. Rent regulations were initiated provincially. Various homeownership grants, subsidies and tax incentives served to shift tenure preference from rental to ownership housing.

According to government publications, however, federal objectives at this time included:

> Stimulation of residential construction for cyclical stabilization purposes, assistance to middle income groups which were experiencing difficulty in buying homes because of

> inflation, improvement of the community environment in which housing units were placed, and subsidization of rental production for households whose incomes were not tested. (Canada, Task Force on CMHC, 1979, p. 10)

Among the latter programs was the Assisted Rental Plan. Initiated in 1975, the program provided interest-free assistance loans to entrepreneurs for new rental accommodation financed by private lenders in order to bring initial rents down to market levels. The overall policy during this period "became one of bridging the inflationary gap with public funds" (Canada, Task Force on CMHC, 1979, p. 10).

In the late 1970s, many programs were revised.(8) The Ontario Home Ownership Made Easy program was terminated and the federal AHOP was replaced by the Graduated Payment Mortgage (GPM). The GPM program also applies to rental housing. It is an insured mortgage plan designed to reduce mortgage payments during the first years of a mortgage. According to Fallis (1981) the revision of various programs seemed to mark a return to the strategy of improved operation of the private housing market.

A number of federal programs related to the rehabilitation of the existing housing stock have been initiated. The Residential Rehabilitation Assistance Program (RRAP) began in 1973 and the Home Improvement Loans Program in 1954. Both continue to operate. The former provides loans to homeowners, landlords, the disabled and non-profit groups to undertake needed repairs and alterations. A portion of the loan can be forgiven (based on renovation expenditures and recipient income). Landlords must agree to rent limitations and can only sell the building with CMHC approval. The latter provides guarantees on private home improvement loans for single family units. The maximum loan eligibility limit was raised in 1979 to $10,000 (from $4,000) and the amortization period increased from 10 to 25 years. Interest rates are market determined.

Construction assistance plans, subsidies and tax incentive programs have continued or been introduced in the eighties as industry stabilization and economic stimulation measures. For example, in 1981-82, with low vacancy rates in many areas and high interest rates, new programs were established to assist both renters and potential homeowners. At the federal level, the Canadian Home Ownership Stimulation Program (CHOSP) was introduced to stimulate home ownership, the economy and employment. The Canada Rental Supply Plan (CRSP) provided 15 year interest-free loans of up to $7500 per rental unit constructed.

However, the emphasis of various levels of government is less on direct intervention and more on measures to improve the private sector operation. For example the Canada Mortgage Renewal Plan introduced in 1981 provided monthly payments equivalent to the amount by which mortgage and property tax payments exceeded 30 per cent of income as a result of mortgage renewal at higher rates of interest. This short term relief program against high mortgage interest rates was replaced in 1984 by a permanent program designed to improve the efficiency of mortgage markets by implementing a mortgage rate insurance plan. Homeowners can now buy long-term protection against extraordinary increases in mortgage rates at renewal.

In part this change in policy has been due to financial restraint (on all levels of government) and recognition of a need for cost effectiveness and targeting of government expenditures to those persons requiring special assistance (Canada, Minister Responsible for CMHC, 1985).

2.2 Provincial

In 1946, Ontario passed the Planning and Development Act enabling municipalities to participate in federally initiated housing construction and employment programs following World War II demobilization. For similar reasons, the Housing Development Act (HDA), passed in 1948, provided assistance to municipalities involved in federal-municipal projects and gave "cheap" second mortgages to those buying homes under the National Housing Act (NHA). In 1950, the HDA was amended to allow provincial participation in the new federal-provincial public housing format subsequent to revisions to the NHA in 1949. Under this program, the federal and provincial government were partners in building (75/25) and operating housing (75/25) rented to selected low-income households. The federal government provided funds for 75 per cent of the capital cost and 75 per cent of the operating subsidy. Ontario contributed the balance. Part of the provincial share could be passed to municipalities. The second mortgage program was discontinued.

However, it was 1964 that marked the beginning of increased provincial housing policy activity. In that year major amendments to the NHA initiated significant joint federal/provincial partnership in public housing programs: the federal government would provide 90 per cent of the capital cost of construction or acquiring housing and 50 per cent of the operating subsidies for provincially or municipally owned and operated public housing. The province was responsible for 10 and 50 per cent. The province signed separate agreements with local government splitting the provincial share of operating subsidies on a 85/15 basis. The Ontario Housing Corporation (OHC) was established to implement and administer provincial interests. A pilot project to acquire existing dwellings for public housing was also initiated.

The Ontario Housing Corporation is a provincial crown corporation. Currently, its major responsibility is management of the Province's public housing portfolio.(9) Up to 1974, OHC was responsible for the construction of provincially owned and managed low income projects. After 1974, public and assisted housing programs changed with the emphasis on the construction of non-profit housing projects at the initiative of local governments (and their agencies) or service groups, or both, with federal/provincial financial and planning assistance. OHC's direct construction program has declined accordingly.

Ontario was the first level of government to develop ownership assistance programs. The Home Ownership Made Easy (HOME) plan, initiated in 1967, offered serviced lots acquired by the province for sale or lease to moderate income families. The most popular arrangement was a fifty-year lease with payments based on government book value (including acquisition, development and servicing costs) of the land rather than market value; homes built on the land were privately financed (Fallis, 1980). Ontario initiated a program of capital grants for the construction of rental accommodation for senior citizens in 1960 and participated in a federally initiated student housing program.

As an alternative to public housing projects, a rent supplement program was initiated by Ontario in 1971. This program provides assisted rental housing, integrated with the community, for low income families and senior citizens. Accommodation is acquired on behalf of the Ontario Housing Corporation in private sector projects. These units are then made available on a rent-geared-to-income basis. The difference between the tenant's rent and the market rent is paid to the landlord by OHC with subsidies provided by the federal and provincial governments. Generally no more than 25 per cent of the units in a project are leased in this manner. The balance are rented at market rents.

In 1972, an Advisory Task Force on Housing Policy (E. Comay, Chairman) was appointed to examine Ontario's housing. The major recommendations of the Comay report were:

1. the establishment of a Ministry of Housing;
2. two new crown corporations should be established to deal with housing and community development programs;
3. expanded responsibilities for municipalities;
4. the establishment of a provincial housing development program;
5. a comprehensive housing assistance program.

The recommendations were implemented. A Ministry of Housing was created, OHC was continued and the Ontario Mortgage Corporation (OMC) was established. Greater responsibility was delegated to the municipal governments and a number of new programs for both renter and ownership households were initiated in the following years.

Ontario Mortgage Corporation assisted in first and second mortgage financing for assisted rental housing in the Community Integrated Housing Program (1973), first mortgage financing for the low and moderate income Ontario Accelerated Family Rental Housing Program (1974) and, in the Preferred Lending Program (1973), loans are provided at below-market rates to builders and developers of semi-detached, townhouses or condominiums for moderate-income families. Additional ownership programs included the Ontario Home Buyers Grant (1975-1976) and the Ontario Housing Action Program (1973). The latter program was designed to increase the supply of serviced lots or housing units, or both, for low and moderate income families in designated areas (high growth). OHAP provided housing study grants (up to $100,000) and regional co-ordination offices to facilitate housing production and to ensure that development proposals, land servicing agreements and zoning modifications were ratified quickly by municipalities (Fallis, 1980). Municipalities, in return for an OHAP agreement, received interest-free loans for local land servicing and per unit grants to offset costs. Developers were required to sell 10 per cent of their lots to the province for use in the HOME plan and to allocate an additional 30 per cent of the lots for moderate cost housing (to purchasers with incomes up to $22,800). Mortgage assistance and interest subsidies were available from Ontario Mortgage Corporation.

In addition to these ownership programs, a revised HOME (1967) plan could be piggybacked onto the federal government's Assisted Home Ownership Plan.

Other special interest programs included rehabilitation programs for ownership and rental accommodation, the construction of public housing units in Northern Ontario communities, and assistance to a private non-profit organization which assists native people in obtaining rental housing in Metropolitan Toronto.

The Ontario land transfer tax was initiated in 1974. A 20 per cent tax applied to the acquisition of any Ontario property by non-residents unless a special exemption was granted. It was designed to reduce real estate prices by reducing non-resident demand. According to Smith (1977), the effect of the tax was to reduce demand for residential investment properties. The subsequent decline in capital value of these investments reduced the volume of private sector participation in the construction and ownership of residential properties and exerted upward pressure on rents. Additionally, since foreign investors supplied capital, the deterioration in the equity investment climate reduced the availability of foreign mortgage credit and reduced further private sector participation.

The Ontario Property Tax Credit, a form of shelter allowance, was introduced in 1972. A tax credit for rent payments or property taxes paid could be deducted from personal income tax. The credit declines as income increases and it disappears for moderate and high income taxpayers. For lower income households, the tax credit reduces the price of housing.

A number of programs were enacted during the inflationary period of the mid-1970s. Rent regulations were initiated in Ontario (and other provinces) and several rental construction subsidy, renter assistance and ownership grant plans were implemented or continued. The Private Assisted Rental Program (1976) was designed to stimulate private sector participation in the provision of rent-geared-to-income housing units. The Ontario Rental Construction Grant (1977) was initiated to provide additional assistance when that provided under the federal Assisted Rental Program was insufficient to facilitate the production of moderately priced rental accommodation.

As with the federal government, the late seventies marked the beginning of a period of restraint for the province. A number of programs were terminated, particularly ownership programs (for example, HOME, First-

Time Buyer Grant, OHAP). Others, such as various public housing programs were revised under the 1978 federal non-profit and cooperative provisions. The Ontario Rental Construction Grant program was changed in 1981 to provide interest-free loans (instead of grants) to stimulate the private sector production of rental units.

Recently, provincial housing policy has stressed the conservation, improvement and intensified use of existing housing stock and conversion of non-residential properties to rental units, thereby increasing the supply of moderate priced accommodations. Among the programs included in this policy are: Convert-to-Rent, Conserve-a-Unit, Inno Rent and Add-a-Unit. The increased emphasis on rehabilitation, intensification and renovation of the existing housing stock is being supported by all levels of government. The federal and provincial governments assist municipalities in acquiring land for local social housing projects and provide financial and technical assistance for housing studies.

The Province has an important regulatory role in the planning and development aspect of housing markets. Among its functions are:

1. monitoring and reviewing development activity across the Province;
2. ensuring project development compliance with building code standards;
3. approving official plans and amendments;
4. fulfilling review and advisory functions (to the Ontario Municipal Board) related to municipal zoning by-laws.

These aspects are covered in Section 3.

2.3 Municipal

The role of municipal or local governments varies across the Province. For example, some municipalities have chosen to become delivery agents for a small number of senior citizen units. Others restrict their involvement to implementing basic municipal responsibilities under the Planning Act. Larger centres, such as Metropolitan Toronto, the City of Toronto, the Region of Peel and Ottawa-Carleton, are involved in planning, market information, housing support programs and through their housing agencies, direct delivery of housing through public housing, non-profit and cooperative projects.

In general, municipalities perform two primary roles in the housing field. Firstly, they are directly involved in the market through the construction or acquisition of assisted (non-profit and cooperative) housing, or through the administration of programs for the private sector primarily in the area of rehabilitation. The second major role is regulation of the market through planning regulations (for example, zoning by-laws, development and design controls) and related policies pertaining to, for example, renovations, demolitions and tenure conversions.

A review of the regulatory role in planning and development and, to a lesser extent, related local housing policy (such as restrictions on demolitions), is provided in Section 3. Since the principal municipal role varies across the Province (the public and assisted housing programs are covered under federal and provincial enabling legislation and are described below in Section 2.4), the balance of this section provides a brief history of municipal participation in the development of public and assisted housing programs.

Before the 1940's low income housing was provided through limited dividend projects under provisions of federal enabling legislation.(10) Under changes to the NHA in 1949, a federal/provincial partnership was responsible for the construction and operation of public housing projects. Municipal involvement via local housing authorities was limited to a financial contribution and participation in management.(11)

Changes to the NHA in 1964 and the establishment of the Ontario Housing Corporation resulted, in some cases, in a reduced local role with the transfer of local authority assets to the OHC. Ontario Housing Corporation constructed or acquired public housing at the request of local governments.

The role of municipal government has increased since 1973. In that year changes to the NHA expanded upon the initial success of Ontario's rent supplement program which sought to provide more diverse housing for low income households that was integrated into the general community rather than concentrated in public housing complexes. After 1974, the emphasis has been placed on rent supplementation, either in local, municipal or private limited dividend or non-profit and cooperative projects; since 1979, non-profit and cooperative program have been the principal mechanisms for providing low income family housing.

2.4 Catalogue of Housing Programs

This section provides a description of housing programs and initiatives in Ontario.(12) The various programs are classified chronologically within the following categories:

1. mortgage market, mortgage loan insurance and direct lending,
2. public, non-profit and cooperative,
3. other rental,
4. home ownership,
5. rehabilitation,
6. land assembly and infrastructure,
7. miscellaneous.

The emphasis is on federal and provincial programs. Participation by various levels of government is indicated where appropriate. Each of the seven categories begins with a list of the programs followed by descriptions.

2.4.1 Mortgage Market, Mortgage Loan Insurance and Direct Lending

Mortgage Rate Protection Program
Canada Mortgage Renewal Plan
Graduated Payment Mortgage
Preferred Lending Program
Mortgage Insurance Program
NHA Direct Loans

Mortgage Rate Protection Program (MRPP)

Federal	1984-ongoing	Ownership/Rental

Introduced in the February, 1984 budget, the program permits homeowners to buy long-term protection against extraordinary increases in mortgage rates at renewal. CMHC insures mortgages up to a value of $70,000 for a fee of 1.5 per cent of the principal for the mortgage term. When the mortgage matures and a homeowner applies for renewal, a claim can be made if the new rate is more than 2 per cent above the old rate. The program will pay 75 per cent of the increase between 2 per cent and a maximum of 12 per cent.(13)

Canada Mortgage Renewal Plan (CMRP)

Federal 1981-1984 Ownership

This plan was designed to assist homeowners facing financial difficulties at mortgage renewal. Assistance of up to $3,000 per year was available when, on renewal, mortgage and property tax payments exceeded 30 per cent of gross income. A special guarantee in favour of lenders who deferred interest payments was provided when there was equity in the home. A non-taxable grant was provided when there was little or no equity. The plan was modified in 1982 to permit a non-taxable cash grant of up to $3,000. It was no longer necessary to defer interest before becoming eligible for the grant. New commitments ceased at the end of 1984.

Graduated Payment Mortgage (GPM)

Federal 1978-ongoing Ownership/Rental

This program was initiated to reduce the exclusionary impact on homebuyers and rental investors of standard level payment mortgages in an inflationary and high interest rate environment.(14) Under the GPM, initial borrower payments are reduced by $2.25 per $1,000 of principal. Annual payments then increase by 5 per cent of the payments in the previous year. The program shifts the timing of the mortgage payments rather than providing a subsidy. GPM mortgages made by private lenders are insured against default. Direct GPM loans are made on a residual (lender of last resort) basis. New and existing ownership and rental accommodation subject to CMHC regional price ceilings are eligible.

Preferred Lending Program

Provincial 1973-1977 Ownership

Ontario Mortgage Corporation, depending upon the availability of funds, provided loans to builders and developers of ownership housing (semi-detached, townhouses or condominiums) to be sold to moderate income families. Up to 95 per cent financing at below-market rates could be obtained. Condominium projects were limited in size to a maximum of 250 units. Prospective buyers had to meet eligibility requirements. The program was modified in 1977 requiring developers to build and sell housing within the guidelines of the Home Ownership Made Easy (HOME) plan (described below). New commitments ceased in 1977.

Mortgage Insurance Program (MIP)

Federal 1954-ongoing Ownership/Rental

This program is designed to protect lenders from costs incurred due to borrower default thus facilitating the availability of mortgage funds for new construction. It constitutes CMHC's principal business activity. Borrowers can usually obtain a lower interest rate, longer amortization period, and a higher loan-to-value ratio for low or moderate priced housing than is available in the standard non-CMHC-insured lending field. The program is financed by insurance fees paid by the borrower. By law, all mortgages over 75 per cent of the value of the property, made by institutional lenders, must be insured.

NHA insured loans may be as high as 95 per cent of the first $50,000 of lending value for a new or existing home plus 75 per cent of the balance to a maximum of $70,000 (in 1980). An owner occupant must have at least 5 per cent equity and total carrying charges (principal, interest and property taxes) cannot exceed 30 per cent of gross income. Owner occupants pay an insurance fee of 1 per cent of the total loan for a loan advanced in installments or 7/8 of one per cent for an advanced lump sum loan. Builders of rental units with 10 per cent equity pay 1.25 per cent for an installment loan or 1.125 per cent for advanced lump sum loan. Rental loans require 10 per cent equity.

In 1982, the 1.25 per cent base premium for rental loans was based on a loan level at 85 per cent of market value. An incremental premium schedule applies to loans in excess of the 85 per cent level. A surcharge is payable when loan advances are made before completion of construction and occupancy, and where the borrower elects to repay on a graduated payment basis. The maximum insured loan cannot exceed 80 per cent of cost on new construction, and 75 per cent of cost on GPM loans.

This program replaced an earlier joint lending technique.

NHA Direct Loans

Federal 1964-ongoing Ownership/Rental

NHA legislation authorizes CMHC to make direct loans in order to supplement, when necessary, the private lender supply of mortgage funds. Generally, CMHC is a lender of last resort. This program has been used extensively primarily for ownership housing. Currently direct loans are available on a very limited basis, for example, in geographical areas that are not normally served by approved lenders.

2.4.2 Public, Non-Profit and Cooperative

Municipal Non-Profit Housing Assistance Program
Non-Profit Cooperative Housing Assistance Program
Private Non-Profit Housing Corporations Assistance Program
Private Assisted Rental Program
Rent Supplement Program
Non-Profit Housing Assistance Program
Northern Ontario Assistance in Housing
Public Housing Program
Limited Dividend Housing Program

Municipal Non-Profit Housing Program

Provincial 1978 - ongoing Rental

This program is designed to provide assistance to municipally owned non-profit housing corporations, whose main objective is to supply rental accommodation for families and individuals. This program is a modification of a portion of the Non-Profit Housing Assistance Program (1973). Municipally owned non-profit corporations can receive two types of assistance through the program -- capital assistance and operating assistance.

Capital assistance is available in the form of NHA insurance on mortgages from NHA approved lending institutions (which are up to 100 per cent of the lending value of a project). Operating assistance is available in the form of an annual federal rent reduction grant to help offset operating losses. At its maximum, the assistance will amount to the equivalent of an interest reduction down to 2 per cent on a 100 per cent loan with a 35-year amortization.

There is assistance available from the province to complement the federal assistance. The province will provide, when it is needed, a rent reduction grant of up to 100 per cent of the federal rent reduction grant. If an additional subsidy is required over and above the federal and provincial rent reduction grants it will be shared equally by the two levels of government.

In structures intended for families up to 35 per cent (plus 5 per cent for the handicapped) of units may be allocated to tenants who will pay on a rent-geared-to-income basis. In structures intended for senior citizens, up to 50 per cent of units may be allocated to tenants who will pay on a rent-geared-to-income basis. The remaining tenants pay a low end of market rent.

Non-Profit Cooperative Housing Assistance Program

Federal 1978 - ongoing Ownership/Rental

This program provides loans to encourage and assist in the development of cooperative housing. Two types of housing cooperatives are provided for under the terms of the National Housing Act: building cooperatives and continuing non-profit cooperatives. A building cooperative is usually composed of a group of people who pool their resources in order to obtain individual homeownership at moderate cost; a continuing non-profit cooperative is usually composed of a group of people who collectively own and manage some form of housing in which units are leased. This latter type of cooperative is covered here. Three types of assistance are available to cooperatives under the program: start-up funds, loans, and annual assistance.

Start-up funds of up to $75,000 are available to cooperatives to help them prepare an application for fundings.

Cooperatives are encouraged to arrange an NHA insured loan for up to 90 per cent of the cost of a project from an approved lending institution. The federal government, via CMHC may provide a second mortgage loan to make up the difference between a 90 per cent NHA insured loan and a project's cost. CMHC may also act as a lender of last resort, if a cooperative cannot borrow from an approved lender.

CMHC will provide annual assistance to offset the operating losses of a non-profit cooperative. At its maximum, the assistance will be equivalent to an interest reduction of 1 per cent on a 90 per cent mortgage with a 35-year amortization period, or down to 2 per cent on a 100 per cent mortgage for the same term.

Cooperatives are encouraged to purchase existing structures rather than building new ones. The cooperatives must adhere to maximum price and unit size limits. Rents for units are set so that tenants do not pay more than the market rent for similar accommodation.

Private Non-Profit Housing Corporations Assistance Program

Federal 1978 - ongoing Rental

This program is designed to provide assistance to privately owned non-profit housing corporations to help them develop low cost rental housing and to increase the supply of housing available to low income families, senior citizens and special groups (for example, the handicapped). This program is a modification of a portion of the Non-Profit Housing Assistance Program (1973). Private non-profit corporations can receive three types of assistance: start-up funds; loans; and annual assistance.

Start-up funds of up to $75,000 are available to private non-profit housing corporations to help them prepare an application for funding.

Private non-profit corporations are eligible for NHA insured loans from approved lenders covering up to 100 per cent of project costs for terms up to 35 years.

CMHC will provide annual assistance to private non-profit corporations to offset their operating losses. The maximum amount of the assistance is equivalent to an interest reduction down to two per cent on a 100 per cent mortgage with a 35-year term.

Private non-profit housing corporations applying for federal assistance must adhere to maximum price and unit size limits. Rents charged must be in line with rents for similar accommodation in the area, though federal assistance is available for low income families who cannot afford to pay this.

Private Assisted Rental Program

Provincial 1976 - ongoing Rental

Administered by the Ontario Housing Corporation for the provincial government, this program is set up to stimulate private sector participation in the provision of rent-geared-to-income housing units. Under this program, builders finance, construct, own and manage rental projects, which through an agreement with the Ontario Housing Corporation have up to 100 per cent of their units made available to persons on the waiting list for assisted rental housing. The agreements usually are in effect for between 15 to 35 years. Tenants pay rent on a rent-geared-to-income basis and can include both families and senior citizens.

The difference between the rents paid by the tenants and the market rents for the units is covered in a manner similar to that of the Rent Supplement Program (described below). Operating costs of the program are split equally between the federal and provincial governments. At one time, operating costs of the program were divided between the federal, provincial and municipal governments; they contributed 50, 42.5 and 7.5 per cent respectively.

Rent Supplement Program

Provincial 1971 - ongoing Rental

Under this program, the Ministry of Municipal Affairs and Housing acquires the use of rental accommodation from private landlords on behalf of the Ontario Housing Corporation (OHC). These units are used to provide rent-geared-to-income housing for low income families and senior citizens that is integrated into the general community. Tenants pay the agreed upon rent directly to the landlord. The difference between the reduced rent and the market rent is paid to the landlord by the Ontario Housing Corporation. Generally, the agreement between the OHC and the private landlord runs for three years. Up to 35 per cent (plus 5 per cent for handicapped) of the units in a structure can be included in the program, the other units are rented at market rents. Tenants are chosen by the Ontario Housing Corporation and the landlord from the assisted housing waiting list.

Operating subsidies for the program are provided by the federal and provincial governments; each government contributes 50 per cent. At one time, the subsidies were divided among the federal, provincial and municipal governments, 50, 42.5 and 7.5 per cent, respectively. (See also, Ontario Accelerated Family Rental Housing Program, Community Integrated Housing Program, Community-Sponsored Housing Program and Ontario

Community Housing Assistance Program -- described in 2.4.3).

Non-Profit Housing Assistance Program

Federal 1973-1978 Rental

This program provided financial assistance to charitable and municipally owned non-profit organizations to develop low cost rental housing and to increase the supply of housing available to low income families, senior citizens and special groups such as the handicapped. Three types of assistance were available: start-up funds, loans, and CMHC contributions.

Start-up funds of up to $10,000 were available to non-profit organizations, which were not provincially or municipally owned, to ensure the group would be able to prepare an application for funding in the proper manner.

Loans were available to cover 100 per cent of the lending value of a project if it was owned by a charitable or municipally owned non-profit organization and 95 per cent of the lending value of a project, if it was owned by a provincial organization. The repayment term of the loans could be up to 50 years.

Non-profit organizations, making use of the loan portion of the program, could apply for a contribution from CMHC which would not exceed 10 per cent of the cost of the project or alternatively, they could enter into a land lease arrangement (called "ground rent subsidy") with CMHC which would own land for the project. The 10 per cent contribution by CMHC had to be applied to reduce the loan.

Any rent increase in housing projects receiving assistance under the program had to be approved by CMHC.

Northern Ontario Assistance in Housing (NOAH)

Provincial March 1973 - December 1973 Rental

This program was designed to provide low income families in non-urban areas of Northern Ontario, particularly in unorganized and remote communities, with assisted rental housing. The Ontario Housing Corporation constructs and manages public housing units in Northern Ontario communities. Housing is allocated on the basis of need as determined by an OHC point rating system for northern residents. CMHC provides a loan to OHC, equal to 90 per cent of the capital cost of a project and contributes 50 per cent toward the annual operating subsidy. To cover the remaining capital costs incurred, OHC borrows an additional 10 per cent from the province. OHC subsidizes 50 per cent of the operating deficits.

Public Housing Program

Federal 1964 - ongoing Rental

This program is designed to provide financial assistance for the development of public housing projects, to be occupied by low income families and individuals. Two forms of assistance were available for the development of public housing before the form of assistance was modified in the late 1970s. These were Long Term Loans and Federal-Provincial Partnership Arrangements. Tenants in public housing developed with both types of assistance paid on a rent-geared-to-income basis and were chosen using a 'point system'.

Long Term Loans: Municipalities had to initiate public housing projects under this portion of the program. If the municipality's request for public housing was accepted, the Ontario Housing Corporation would undertake its development. Loans to cover the capital cost of building public housing were provided by the federal and provincial governments, 90 and 10 per cent respectively. Operating subsidies were divided among the federal, provincial and municipal governments, 50.0, 42.5 and 7.5 per cent respectively. Project management was undertaken by either the Ontario Housing Corporation or the local housing authority.

Federal-Provincial Partnership Arrangements: This portion of the program was a joint undertaking of the two senior levels of government. Municipalities also participated in some cases. Responsibility for public housing development was divided among the governments according to mutual agreement. The capital cost of building public housing was divided by the federal and provincial governments, 75 and 25 per cent respectively. Municipalities could be requested to share part of the provincial cost. Any operating deficit was shared by the participating governments on the same basis as the capital costs.

In the late 1970s, assistance provided for public housing was modified. Two types of housing can now be developed: Municipally-Sponsored and Provincially-Sponsored. In both cases, up to 100 per cent of tenants (including both families and senior citizens) pay on a rent-geared-to-income basis.

Under the municipally-sponsored portion of the program a municipal housing corporation may obtain mortgage financing up to 100 per cent of the cost of building or acquiring moderately priced rental housing. The loans are arranged from an NHA-approved private lending institution. These developments are managed by the municipal housing corporation.

Under the municipally-sponsored portion of the program the Ontario Housing Corporation may obtain loans up to 100 per cent of the cost of building or acquiring moderately priced rental housing. The loans are arranged from an NHA-approved private lending institution. These developments are managed by the municipal housing corporation. The province will only provide rental housing under this program when the need for it has been shown and municipal or private non-profit corporations and cooperatives have not met the need.

Limited Dividend Housing Program

Federal 1938-1981 Rental

The intent of this program was to increase the supply of moderately priced rental accommodation. The program began in 1938 and was altered a number of times during its existence. However, it was only used in a significant way after a mid-1960s revision. The program, as it existed after this revision, is outlined below.

CMHC provided loans to finance the development of moderately priced rental housing. The funds could be used for new construction and for the purchase or improvement of existing buildings. The loans were for 95 per cent of a project's capital costs and were set at a below market rate of interest. In return for the loans, building owners had to agree to allow CMHC to control rents in a building. Rents were set to allow building owners an acceptable rate of return on their investments but were still affordable for low income households. Only households within specific income groups were allowed to rent units made available through the program. Building owners could only raise rents with CMHC's consent for a minimum 15-year period. After the 15-year period, the building's owner could opt out of the agreement, but only if the loan had been repaid. This program was replaced by the Assisted Rental Program (ARP) in 1976 (described in 2.4.3).

2.4.3 Other Rental

Ontario Renews - adding rental units to existing housing
Convert-to-Rent
Innovative Rental Construction Loan Program
Ontario Community Housing Assistance Program
Ontario Rental Construction Loan Program
Ontario Rental Construction Grant
Assisted Rental Program
Federal-Provincial Rural and Native Program
Accelerated Family Rental Housing Program
Multiple Unit Residential Buildings
Community Sponsored Housing Program
Community Integrated Housing Program
Student Housing

Ontario Renews - adding rental units to existing housing

Provincial August 1983 - April 1984 Rental

This program was an experimental pilot project. Financial assistance was given to landlords to assist in the upgrading of 26 units in Toronto, Hamilton and Ottawa -- communities which have low rental vacancy rates and large stock of existing housing feasible for conversions.

The province offered an average interest-free loan of $7,000 per new unit (secured by a provincially-held mortgage) to assist in the upgrading of major systems -- mechanical or electrical, for example. Landlords were required to share in the cost of upgrading. The loan is interest-free for 15 years. If a unit is "deconverted", the loan will become due and payable immediately.

Convert-to-Rent

Provincial 1982 - ongoing Rental

Interest-free loans of $7,000 per unit are advanced in two parts: half at 15 per cent completion, and half on 50 per cent completion. The loan is interest-free for a 15-year term, with equal monthly payments beginning in year eleven, over the next five years. All projects must remain as rental accommodation for a minimum of 15 years; otherwise, the loan is immediately repayable in full.

To ensure moderate-rent accommodation, maximum all-included costs for completed units must not exceed $50,000 for Metropolitan Toronto and Northern Ontario, north of the French River and $42,000 for the rest of the province. (These cost ceilings may be revised periodically).

Up to twenty-five per cent of the units are to be offered for use by the local housing authority responsible for managing assisted housing in the community. Where appropriate, up to five per cent of the units should be made accessible to physically-disabled persons. First-year rents are negotiated with the Ministry of Municipal Affairs and Housing.

To be eligible for the program, work on a project cannot begin prior to the loan commitment. (The land or building may be purchased and a building permit obtained.) Except for senior citizen projects, adults-only buildings are not eligible. Non-profit and cooperative housing may be eligible if NHA assistance has not been used. Other government funded projects will generally be ineligible. Projects may be of mixed use and tenure.

Innovative Rental Construction Loan Program (Inno Rent)

Provincial   May 1982 - cancelled in Dec./82   Rental

This program was designed to encourage the construction of moderately priced rental units in areas with rental vacancy rates of two per cent or less, some of which would be made available to low income families, senior citizens and physically-disabled persons.

Developers and financiers were encouraged to use innovative financial arrangements, mixed land use, and alternative forms of land tenures to develop rental units. Loans were made available for new rental projects and for the conversion of non-residential properties to rental units. Each loan application was evaluated on its "own merit" with special consideration given to the level of assistance required for a project and the degree of innovation exhibited as a project. The loans were for a 25-year term and interest-free, with repayment beginning in the 16th year. If a project did not remain rental for 15 years the loans were to become repayable with interest.

Projects in municipalities without lot levies or in municipalities which were prepared to reduce lot levies were given priority. To be eligible for program loans, projects were to be in areas where rental vacancy rates are two per cent or less. Projects eligible for the MURB or ORCL program were ineligible.

This program was not actively promoted and lapsed in December 1982.

Ontario Community Housing Assistance Program (OCHAP)

Provincial 1981 - ongoing Rental

This program is designed to enable private non-profit and cooperative housing groups to offer units on a rent-geared-to-income basis. Projects developed with federal assistance under Section 56.1 of the National Housing Act, since August 1, 1978 under the federal private non-profit housing program, and since January 1, 1979 under the non-profit cooperative housing program are eligible. This program operates in conjunction with the Rent Supplement Program, in which the province will provide a 100 per cent subsidy on additional rent-geared-to-income units. Like the Rent Supplement Program, these additional rent-geared-to-income units are made available to low income families and senior citizens. Tenants pay the agreed-upon rent directly to the landlord. The difference betweeen the reduced rent and the market rent is paid to the landlord by the Ontario Housing Corporation. Initial OCHAP agreements between the ministry and private non-profit/cooperative corporations cover up to five year periods. After the initial agreements expire, they are renewable at two-year intervals.

At least 50 per cent of the units made available under the program must be offered to the local housing authority which may refer applicants from its assisted housing waiting list. Provincial OCHAP assistance given in any project will not exceed federal funding.

Ontario Rental Construction Loan Program (ORCL)

Provincial January 1981 - December 1981 Rental

This program was initiated to stimulate the construction of rental housing units in Ontario, especially in areas of the province with low rental vacancy rates. Interest-free loans, made available to private builders, were to finance new rental construction projects and the conversion of non-residential properties to rental accommodation. The loans were second mortgage loans ranging from $4,200 to $6,000 per eligible unit; the amount varied according to the project's final first mortgage rate of interest. Loans had a 25-year term with repayment beginning in the sixteenth year.

To be eligible for a loan under the program, a project had to meet a number of conditions. The conditions included specifications that:

1. new construction projects had to contain a minimum of six units;
2. up to 20 per cent of units in a complex, but no more than 25 per cent of units in a building had to be offered to the local housing authority for assisted housing use;
3. eligible units had to be located in mixed residential/commercial or retail projects;
4. units appropriate for disabled persons had to be made available if local need warranted it; and a
5. project's units had to fall within set maximum prices.

Ontario Rental Construction Grant (ORCG)

Provincial 1977-1981 Rental

This program was intended to complement the Assisted Rental Program (ARP) by providing assistance when the assistance provided under the ARP was insufficient to facilitate the production of moderately priced rental accommodation. Grants were available to builders if, after they had received maximum assistance from the federal Assisted Rental Program, they could still not produce housing with economic rents. The grant was up to $600 per unit in the first year and was reduced in each following year based on the same formula as the ARP (described below). The grant was provided over the same disbursement period as the federal program.

The grant agreement set out the initial rents which a builder could charge. Subsequently, rents would be set by market conditions, but the amount of the grant would decrease as revenue increased.

Assisted Rental Program (privately funded) (ARP)

Federal 1975-1978 Rental

This program was initiated to stimulate the construction of moderately priced rental housing by attracting more private capital. Loans of up to $1,200 annually per unit were provided to reduce rent levels (required by development costs) to the existing market rents of similar existing units. The amount of the loan depended on the number of units in a project, construction costs, mortgage interest rates, operating costs, and the average rents for similar units in the proposed construction area. The loans were for up to 15 years and were interest-free for 10 years or the support period, whichever was longer. If a project was sold or refinanced, the loan was immediately repayable in full. Otherwise by the end of the first mortgage amortization period, the loan had to be repaid.

The Assisted Rental Program was modified in 1978. As with the earlier version of the program, assistance was provided to reduce rents to levels charged for similar existing units. Assistance was provided through the modified program in the form of "Payment Reduction Loans". These loans were second mortgage loans, not exceeding an amount equal to $2.25 per month for each $1000 of the first mortgage in the first year. The interest rate on the Payment Reduction Loan was the same as on the first mortgage. The first mortgage had to be NHA-insured, represent 90 per cent of a project's costs, have a term of at least five years and have an amortization period of 25 to 35 years. The amount of the second mortgage advances was gradually withdrawn at a rate resulting in a constant five per cent increase in the borrower's net principal and interest payments annually.

The 1978 version of the Assisted Rental Program was to provide assistance similar to the Graduated Payment Mortgage Plan which was introduced later in 1978 (described above in section 2.4.1). This version of the ARP was transitional; it was to be phased out as the Graduated Payment Mortgage plan developed.

Federal-Provincial Rural and Native Program (RNP)

Federal 1974 - ongoing Ownership/Rental

This program provides new housing and renovation assistance to low income native and rural non-native families. The ownership/rental component of the program provides a loan to finance the construction of a house and subsidizes the difference between loan amortization costs and property taxes, and 25 per cent of the household income. The federal and provincial governments share the loan and subsidy costs, 75 per cent and 25 per cent respectively.

A renovation component provides a loan to finance the upgrading of a house to meet minimun health and safety standards and to preserve its livability for at least 15 years. The emergency repair component provides a one-time grant to make necessary health and safety repairs. The rehabilitation and emergency repair programs are financed by the federal government only. (See RRAP, described in section 2.4.5).

Accelerated Family Rental Housing Program

Provincial 1974-1976 Rental

This program was designed to provide housing for low income households using a rent supplement system, and moderate income households using a rent regulated system. Both forms would be integrated into the community and privately owned. In return for favourable first mortgage financing through this program, builders were required to make 25 per cent of units in a project available to tenants receiving rent supplements. Tenants in these units would pay on a rent-geared-to-income basis. Another requirement was that builders must make the remaining 75 per cent of units available to tenants with specific moderate incomes. The rents charged and the rate of return to the builder from the project were subject to controls. There have been no new projects under this program since 1978.

The federal and provincial governments contributed 50 per cent each to the program's operating subsidy. The operating subsidy was required to cover the difference between the reduced rent paid by tenants on a rent-geared-to-income basis and the market rent (see Rent Supplement Program).

Multiple Unit Residential Buildings (MURB)

Federal	1974-1979 1980-1982	Ownership/Rental

This program which operates through the tax system was designed to encourage the development of multiple unit residential buildings for rental purposes. The MURB program was a tax deferral program in which owners of eligible rental units could defer non-rental income tax owed by writing off certain 'soft costs'(15) that would have been insured during construction and by using a capital cost allowance (CCA) on an ongoing basis. A MURB owner could deduct a loss created by a unit's depreciation (to the maximum CCA) from other income.

Three types of MURB ownership were available to investors:

1. Undivided Ownership - an investor could buy a share of an association or partnership which held a MURB as an asset;
2. Divided Interest - an investor could purchase an eligible unit and hold the title to the unit itself; and
3. Limited Partnership - an investor could become a limited partner in the ownership of a MURB with a general partner who would operate the property.

Community Sponsored Housing Program

Provincial	1974-1978	Rental

This program was initiated to provide additional assistance to non-profit housing corporations in housing low and moderate income households and to establish another method of integrating public housing units into the community. A provincial rent reduction grant was available if units were made available to households eligible for rent supplement. This grant was in addition to federal assistance available to non-profit groups. The grant was to be paid over a 15-year period on a declining scale. The usual rent reduction was $20 to $35 per unit a month in the first year. The rent supplement was also available (see Rent Supplement Program).

Community Integrated Housing Program

Provincial 1973-1976 Rental

The intent of this program was to provide assisted rental housing for lower income families which was to be integrated into the community and privately owned. The Ontario Housing Corporation provided second mortgage financing to builders to bring the total of the first and second mortgages to 95 per cent of the appraised value of a project. In return for the second mortgage financing, builders were required to make 25 per cent of units in a project available to tenants receiving rent supplements for a period of 15 years. The other 75 per cent of units were rented at market rents. Tenants receiving rent supplements paid rent on a rent-geared-to-income basis and were selected by the Ontario Housing Corporation and the project owner from the assisted housing waiting list.

The operating subsidies which were required to cover the difference between the reduced rent paid by tenants and the market rent, were divided by the federal and provincial governments on a 50:50 per cent basis.

Student Housing

Provincial 1966-1975 Rental

Under this program, funds were loaned to various education-related groups to be used to create low cost rental housing for students through construction, acquisition or conversion. Groups eligible for assistance under the program included provinces and their agencies, municipalities and their agencies, universities, colleges, school boards, cooperatives, non-profit corporations and charitable organizations. CMHC provided loans to cover up to 90 per cent of the value of a student housing project and the province would provide the remaining 10 per cent.

2.4.4 Home Ownership

Registered Home Ownership Savings Plan "Top-Up"
Canadian Home Ownership Stimulation Program
Renter-Buy Program
Ontario Home Buyers Grant
Home Owner Grants
Registered Home Ownership Savings Plan
Assisted Home Ownership Program
Ontario Housing Action Program
Home Ownership Made Easy

Registered Home Ownership Savings Plan (RHOSP) "Top-Up"

Federal 1983 - March 1, 1985 Ownership

This short-term initiative allowed anyone purchasing a new home after April 19, 1983 and by March 1, 1985 to claim a tax deduction equal to $10,000 less the total contributions made by the owner to an RHOSP (described below) in earlier years.

Canadian Home Ownership Stimulation Program (CHOSP)

Federal 1982 - May, 1983 Ownership

Introduced in June, 1982, the program was designed to create employment and stimulate the economy as well as home ownership. It provided grants of $3,000 to purchasers of new houses on which construction started before December 31, 1982 and to first-time buyers of an existing house before that date. The plan was originally to end in 1982, but was extended to the end of April 3, 1983.

Renter-Buy Program

Provincial 1982 Ownership

In 1982, a $5,000 interest free loan was introduced as an incentive for home purchase and, also, to free up rental units. The loan which had a fifteen year term, required repayment beginning in the eleventh year. It was available to first-time buyers of new homes (before December 31, 1982) who had a minimum 10 per cent down payment. It could also be combined with CHOSP (described above). Approximately 15,000 new home buyers received assistance under the program.

Ontario Home Buyers Grant

Provincial April, 1975 - December, 1975 Ownership

This program provided a grant of $1,500 for first-time home buyers of newly built or resale housing who occupied their residence between April 8, 1975 and December 31, 1975. Eligible housing units for single-family occupancy included a house containing not more than two housing units, a condominium, a cooperative housing corporation unit, or a mobile home. This program overlapped, in part, Home Owner Grants.

Home Owner Grants

Federal November, 1974 - December, 1975 Ownership

First-time home buyers were eligible for a grant of $500 for occupancy of a newly built, principal residence between November 1, 1974 and December 31, 1975. The residence -- a house, condominium, cooperative unit, or a mobile home -- purchased by eligible buyers over 18 years of age had to be the first owned. Eligible homes for single-family occupancy had to meet CMHC price limits.

Registered Home Ownership Savings Plan (RHOSP)

Federal 1974 - 1985 Ownership

The RHOSP, introduced in 1974, permitted any resident taxpayer not owning residential real estate to contribute a maximum of $1,000 per year for ten years to an RHOSP; the annual contribution is deducted from taxable income. Only one plan was allowed in a lifetime and if the savings were used to purchase a home, the withdrawal was non-taxable. As of 1983, tax-free withdrawals from an existing RHOSP could be used to purchase qualifying new furniture.

Assisted Home Ownership Program (AHOP)

Federal 1973-1978 Ownership

Lower income families with one or more children, in addition to receiving 95 per cent NHA first mortgages, were given five-year non-interest loans to reduce mortgage payments (principal, interest and taxes) to 25 per cent of adjusted family income. If the loan was insufficient to achieve the 25 per cent level a cash grant--originally $300, then $600, then $750 in 1975--was available. Eligible families had to have an income below a CMHC-determined maximum, had to purchase a home below a CMHC-determined maximum price, and for most of the time the program was in effect, had to be first-time homeowners purchasing a newly built house (Fallis, 1980, p. 98).

The program was revised in 1975. Mortgage financing was arranged privately and then an initial advance on a CMHC interest-free loan was provided so that the effective mortgage rate was reduced to 8 per cent. The annual loan advances were reduced by one-fifth. At the end of the sixth year the loan was repayable as an escalated payment mortgage. The $750 grant was also reduced by one-fifth annually.

A pattern of equal annual payments in real terms (like the GPM) resulted from the interest reduction loan and the regular mortgage. This program was replaced in 1978 by the Graduated Payment Mortgage (described above in section 2.4.1).

Ontario Housing Action Program (OHAP)

Provincial 1973-1977 Ownership

This program was a combination of incentives to various sectors of the home ownership market--home owners, developers and municipalities--designed to accelerate the supply of moderate priced housing available for low and moderate income families and to increase the supply of serviced lots in designated high growth areas. Through Ontario Mortgage Corporation mortgage assistance and interest subsidies were available to purchasers with family incomes below $20,000. Housing study grants (up to $100,000) were provided to local governments and regional co-ordination offices were established to facilitate housing production and to ensure development proposals, land servicing agreements and zoning changes were processed quickly by municipalities. Municipalities under an OHAP agreement received interest free loans for land servicing and a per unit grant to offset possible increased municipal taxes. Developers having received serviced lots were required to provide 10 per cent of their units to the province for the HOME plan (described below) and a minimum additional 30 per cent to families with incomes up to $20,000 ($22,800 in 1977).

Home Ownership Made Easy (HOME)

Provincial	1967-1978	Ownership

This plan was designed to help moderate income families purchase homes by providing units for sale within Ontario Housing Corporation price limits. Purchasers had a choice of financing plans. The most popular arrangement was a fifty-year lease based on NHA interest rate and government book value (including acquisition, development and servicing costs); homes built on the land were privately financed. There were restrictions on resales. A minimum five-year lot lease was required.

The program was revised in 1973. The leased land could be purchased after five years at current market value. OMC began to provide mortgage funds at below-market rates--a first mortgage on the house and a second mortgage on the land. Eligibility rules were also initiated. The maximum allowable income of a family with one income was $14,500; for a family with two incomes it was $17,000.

In 1977 a revised form of the HOME plan could be combined with the federal Assisted Home Ownership Program (AHOP). If, after receiving the federal subsidy, a family would still pay more than 30 per cent of their income on mortgage payments, the province would provide an additional grant of $750 in the first year.

HOME ended in 1978 when the federal AHOP direct subsidy was removed and the federal Graduated Payment Mortgage plan implemented.

2.4.5 Rehabilitation

Canada Home Renovation Plan
Ontario Home Renewal Program
Residential Rehabilitation Assistance Plan
Home Improvement Loans Program

Canada Home Renovation Plan (CHRP)

Federal	1982-1983	Ownership

CHRP was first introduced in April 1982 to provide financial assistance, in the form of forgiveable loans, to cover the cost of repairing or improving sub-standard housing. A maximum of $3,000, to cover 30 per cent of renovation costs, was available. It was also aimed at short term stimulation of employment in the construction trades. The program ended in July, 1983.

Ontario Home Renewal Program (OHRP)

Provincial 1974 - ongoing Ownership

This program assists owner-occupants to repair or improve their houses, similar to the federal RRAP program but in areas (primarily rural, unorganized territories) that would not normally qualify for assistance under RRAP. Capital grants are provided to municipalities to administer directly as loans or grants, or both, of up to $7,500 to owner-occupants with adjusted family income no greater than $18,000. Physically-handicapped homeowners, or homeowners with permanently residing physically-handicapped relatives, may qualify for loans up to $9,500 to cover extra costs associated with related alterations. The rate of interest charged ranges from zero to eight per cent and is determined by annual family income. Municipalities are responsible for administration and home inspection. Currently, new projects are funded as loans are repaid from earlier borrowings.(16)

Residential Rehabilitation Assistance Plan (RRAP)

Federal 1973 - ongoing Ownership/Rental

CMHC offers loan and grant assistance to enable homeowners, landlords, non-profit and cooperative organizations to repair and improve older, deteriorated housing units in designated urban and rural areas. The repair work is designed to extend the useful life of the property by about 15 years. For an applicant to be eligible for assistance, the dwelling must be substandard in one of the following areas: structural integrity, fire safety, electrical wiring, plumbing or heating.

Homeowners with adjusted family incomes of up to $6,000 are eligible for the maximum loan ($10,000) and loan forgiveness ($3,750). As incomes increase between $6,000 and $11,000, the amount of loan foregiveness decreases. Homeowners with larger incomes repay loans in full. Loan forgiveness is earned at the rate of $750 for each year the homeowner continues to occupy the dwelling.

Landlords who arrange private rehabilitation loans may be eligible for a fully forgiveable CMHC loan of up to $2,500 per family housing unit in return for CMHC determined rent limitations.

Non-profit and cooperative organizations that arrange private rehabilitation loans may also be eligible for a fully forgiveable CMHC loan of up to $3,750 per family housing unit. Rehabilitated non-profit, cooperative and private rental units can only be sold with CMHC consent. (See also, Neighbourhood Improvement Program, section 2.4.6).

Home Improvement Loans Program

Federal 1954 - ongoing Ownership/Rental

Originally CMHC provided guarantees on private loans obtained to finance the improvement of existing houses and apartments. A home improvement loan could not exceed $4,000 for a one-family dwelling, or $4,000 for the first unit of a duplex, semi-detached or multiple-unit apartment plus $1,500 for each additional unit. Repayment was monthly over 10 years at CMHCs fixed interest rate. In 1979, amendments to the National Housing Act increased the maximum loan to $10,000 and extended the amortization period to 25 years. Interest rates are now market-determined.

2.4.6 Land Assembly and Infrastructure

Community Services Contribution Program
Municipal Incentive Grant Program
Neighbourhood Improvement Plan
Municipal Infrastructure Program
Land Assembly Assistance Program

Community Services Contribution Program (CSCP)

Federal/Provincial	1979	Ownership/Rental

The purpose of this program, through federal-provincial agreement, was to provide a "global" funding approach to federal and provincial financial aid to municipalities by consolidating the Neighbourhood Improvement, Municipal Incentive Grant, and Municipal Infrastructure programs (described below).

Funding was available for a wide range of municipal capital projects, such as sewage treatment trunk lines; water supply facilities; storm sewer systems; social, cultural, and recreational facilities; and other capital work tailored to the needs and priorities of individual municipalities as specified in the federal-provincial agreement. New funding terminated in 1979 with continued payments until March, 1984.

Municipal Incentive Grant (MIG)

Federal 1975-1978 Ownership/Rental

Under the MIG program, municipalities could receive a federal grant of $1,000 for each new dwelling unit (ownership or rental) receiving building permits between November 1, 1975 and December 31, 1978, meeting certain density and size requirements, and not exceeding the AHOP price limit for ownership housing. Dwelling units had to be self-contained and connected to municipal services.

The program was initiated for two purposes:

1. to encourage municipalities to develop more land for medium-sized housing units at medium density and generally to encourage a more intense use of land; and
2. to encourage municipalities and provinces to examine development standards and bylaws with a view towards shortening the length of time for the approval process.

This program ended in 1978 but related funding continued under CSCP.

Neighbourhood Improvement Plan (NIP)

Federal/Provincial 1973-1978 Ownership/Rental

This program, jointly administered by the Ontario Ministry of Housing and CMHC, was designed to improve the housing and living conditions in deteriorating neighbourhoods through a combination of residential rehabilitation assistance via RRAP and assistance for neighbourhood facilities, services, and public utilities via NIP. The program provided grants and loan to municipalities.

CMHC contributed 50 per cent, the province 25 per cent and local government 25 per cent of most elements of the program. Municipalities were responsible for project planning, implementation and administration and in some cases paid close to 50 per cent of servicing costs. The program ended in 1978.(17)

Municipal Infrastructure Program (MIP)

Federal 1960-1978 Ownership/Rental

This program, revised in 1975, provided assistance in the form of loans and grants to provinces, municipalities and municipal corporations for the planning, construction and expansion of sewage and water supply systems. CMHC provided loans for up to two-thirds of the cost of a project at NHA-interest rates. On completion, 25 per cent of the principal amount of the loan and 25 per cent of the accrued interest was forgiven. When the cost of a sewage treatment project placed an excessive burden on local taxpayers, CMHC could provide a maximum grant to municipalities of 50 per cent of the project's capital cost.

Land Assembly Assistance Program

Federal/Provincial 1950-1978 Ownership/Rental

This program, revised in 1974, offered financial aid to municipalities and provinces for land acquisition and development to be used for residential purposes or for establishing land banks for future use. The program had a number of objectives:

1. to improve the supply of serviced residential land,

2. to reduce the cost of serviced land,
3. to assist in implementation of growth policies.

Two approaches were used. The first enabled CMHC to provide NHA loans covering 90 per cent of the cost of acquisition, clearance, planning and servicing, to municipalities, provinces or their agencies. Under, the second, the federal and provincial governments provided 75 and 25 per cent, respectively, of land assembly costs with the costs recovered through lot sales.

2.4.7 Miscellaneous

Canadian Home Insulation Program
Department of Veterans Affairs Housing
  Program for Veterans
Wigwamen Incorporated
Elderly Persons Housing Aid Act
Housing Research and Planning

Canadian Home Insulation Program (CHIP)

Federal 1977-1986 Ownership/Rental

CHIP, through the provision of a one-time grant, enables thermal upgrading of existing housing stock to reduce heating costs. A taxable grant covering 60 per cent of the cost of materials and labour for sealing or insulating a house is provided up to $500 or the maximum eligible grant (apartment units receive less than $500 per unit) for work completed on or before December 31, 1984. After that date and by March 31, 1986, the intended termination date, only one-third of the cost up to $500 or the maximum eligible grant is covered.

Department of Veterans Affairs Housing Program for Veterans

Federal 1975 - ongoing Ownership/Rental

The department provided additional assistance to veterans qualifying for CMHC assistance. The program operated in three ways:

1. an additional grant of up to $600 annually for five years for the purchase or construction of a new home; under AHOP, if mortgage payments after AHOP were still larger than 25 per cent of family income;
2. a grant of up to $600 annually for five years for the purchase of an existing home priced within CMHC limits for veterans not qualifying for AHOP assistance;
3. an additional grant covering 10 per cent of capital costs to non-profit organizations obtaining mortgage assistance under the Non-Profit Housing Assistance Program (now Section 56.1) to develop low-rental projects intended primarily but not exclusively for veterans.

Since the termination of AHOP, the emphasis has been on non-profit rental projects.

Wigwamen Incorporated

Provincial 1973 - ongoing Rental

Wigwamen Incorporated, a private non-profit organization, assists native people in obtaining housing in Metro Toronto. Wigwamen purchases housing units (the most recent acquisitions were in 1982-1983) for use as rental accommodation with federal funds and is responsible for administration and tenant selection. Ontario Housing Corporation participates with Wigwamen in tenant selection for units available under the Rent Supplement Program. Federal, provincial, and Metropolitan Toronto government subsidize any operating deficit 50, 42.5 and 7.5 per cent respectively.

Elderly Persons Housing Aid Act

Provincial 1960-1977 Rental

Capital grants were provided for the construction of private or municipal senior citizen low rental housing. Charitable organizations or municipal limited dividend housing corporations that obtained an NHA loan for senior citizen housing were eligible. Ontario Housing Corporation provided a grant after the completion of construction for the lesser of $500 per unit or 50 per cent of the difference between the NHA mortgage and the capital cost.

Housing Research and Community Planning

Federal 1946 - ongoing Ownership/Rental

This program, as revised in 1973, has two purposes:

1. to investigate housing conditions in Canada and to distribute information encouraging the provision of more adequate housing and the development of community plans;
2. to share the risk of experimentation undertaken by others seeking to develop and demonstrate alternative forms of housing and community design (technical research).

Grants are available for: research into housing conditions, analysis of economic factors influencing design and planning of low cost housing, investigation of land utilization and community planning, and for the dissemination of information concerning planning.

Notes to Section 2

(1) For example, the Federal Housing Loan Program (1919).

(2) Hulchanski and Grieve (1984, 59).

(3) In limited dividend projects, rents are tied to the capital and operating costs of the project with provisions for a fixed and "limited" return.

(4) CMHC was renamed Canada Mortgage and Housing Corporation in 1979.

(5) According to Canada, Task Force on Canada Mortgage and Housing Corporation [CMHC] (1979, 7) mortgage fund availability was being squeezed by demands for funds from other sectors of the economy. An attempt to attract more funds by increasing the NHA interest rate was eroded by increases in other interest rates. It was felt that a further increase in the NHA interest rate would preclude participation by chartered banks given their interest rate ceilings imposed by the Bank Act.

(6) Further initiatives were taken in the late sixties to remove imperfections in the mortgage market and increase the supply of funds available to the construction industry. Among these, were revisions to the Bank Act in 1967 which allowed the chartered banks to make conventional loans and removed the six per cent ceiling on bank loans; this enabled chartered banks to re-enter the mortgage market. See Canada, Task Force on Canada Mortgage and Housing Corporation (1979, 9).

(7) In part, this provision was initiated to offset the 1972 changes to the tax structure. A number of changes have been cited as having negative effects on rental housing investment. Principally, the elimination of real estate investment as a tax shelter, the termination of roll-over provisions (the recapture and treatment as income of accumulated depreciation on the sale of a building) and the introduction of a capital gains tax have been cited as reducing the attractiveness of investment in rental properties. See, for example, Smith (1983).

(8) Among those revised were the non-profit and cooperative programs. Prior to 1978, the private and public non-profit and cooperative programs were administered and financed directly by CMHC. Non-profit and cooperative programs which came into effect in 1973 received financial assistance from two different sections of the National Housing Act -- Section 15.1 for non-profit housing and Section 34.18 for cooperative housing. In 1978, major

amendments to the non-profit and cooperative programs were undertaken which saw the disentanglement of federal participation in the planning and administration of such projects. The provincial governments took control over the administration of the municipal non-profit housing program while the federal government retained administrative control over the approvals of private non-profit and cooperative housing projects. Since 1978, the revised non-profit and cooperative programs have been recognized as the "Section 56.1 Programs".

(9) In 1981, the portfolio consisted of approximately 92,300 rental housing units of which 83,200 were owned and managed by OHC. The balance consisted of units with subsidized rents in privately owned buildings (Ontario, Standing Committee on Administration of Justice 1981).

(10) The Toronto Housing Company, established in 1913, built Canada's first limited dividend housing (Hulchanski and Grieve 1984).

(11) The first local housing authorities were established in 1952 in St. Thomas and Windsor (Ontario, Legislative Assembly, Standing Committee on Administration of Justice 1981).

(12) Unless otherwise noted, this section is based on the following sources: Canada, Minister Responsible for Canada Mortgage and Housing Corporation (1985); Canada, Task Force on Canada Mortgage and Housing Corporation (1979); Ontario, Ministry of Housing (1976, 1977, 1980); Ontario, Ministry of Municipal Affairs and Housing (1984).

(13) According to a Globe and Mail article, Motherwell (1984), only 83 home owners, nationally, were covered by the program late in 1984. This was attributed to reduced mortgage interest rates, to the introduction of private sector insurance and mortgage renewal options, and increased competition among lending institutions.

(14) In such an environment the mortgage payment burden declines in real terms over the amortization period. Lenders wishing to maintain the real value of the mortgage can be expected to demand an inflation premium equal to the expected rate of inflation. Level payment mortgages would begin at a level which excludes home purchasers and rental investors from the market (Canada, Task Force on Canada Mortgage and Housing Corporation 1979, 51-52).

(15) 'Soft costs', as defined included: promotion expenses, mortgage fees, legal and accounting fees, interest expense during construction, and interest and property taxes.

(16) In late 1983, Ontario initiated a number of programs aimed at intensified use, rehabilitation and conservation of the existing housing stock, such as Conserve-a-Unit and Add-a-Unit. RenoLoan provides government guarantees for privately funded renovations.

(17) The province has an Ontario Neighbourhood Improvement Program (ONIP) as part of PRIDE - Programs for Renewal, Improvement and Development. PRIDE contains two other elements: Business Improvement Areas (BIA) and the Commercial Area Improvement Program (CAIP). Under ONIP the province contributes 50 per cent of eligible costs within the overall agreement amount. At least 20 per cent of total project costs must be spent on municipal services or social and recreational facilities, or both. Fifteen per cent of total project cost may be added for administration and planning costs.

The original NIP program replaced the federal Urban Renewal Program (1944-1973) which was related to slum clearance in general. Revised in 1953, provisions enabled grants where cleared land was to be used for rental housing under federal-provincial arrangements as well as by limited dividend companies.

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SECTION 3: THE APPROVAL PROCESS FOR RENTAL HOUSING CONSTRUCTION

3.1 Introduction

> Where once the right of any citizen to do as he liked with his land was unquestioned, it is now accepted that it is appropriate for governments to control development opportunities, particularly since government action so largely creates the prospects for development.(1)

The construction approval process is the municipality's mechanism for planning and controlling the physical development of the area for which it is responsible. In Ontario, most of the authority for development control is set out in the Planning Act, 1983(2) which gives the municipality the authority to:

(1) pass zoning by-laws;

(2) amend zoning by-laws;

(3) approve minor variances to approved zoning by-laws;

(4) prepare and adopt Official Plans;

(5) amend Official Plans;

(6) pass by-laws designating "Areas of Site Plan Control";

(7) approve subdivision and severance of land;

(8) control demolition of buildings;

but is brought into play, from the builder/owner's point of view, via s. 5(1) of the Building Code Act, which provides that:

> 5-(1) No person shall construct or demolish or cause to be constructed or demolished a building in a municipality unless a permit has been issued therefor by the chief official.

and s. 6(1)(a) which requires that:

> 6-(1) The chief official shall issue a permit except where,
> (a) the proposed building or the proposed construction or demolition will not comply with this Act or the building code or will contravene any other applicable law.(3)

This report outlines the steps which may be encountered in the course of obtaining a building permit for rental construction. In this paper, rental construction refers to the construction of new rental buildings (and units therein) as opposed to the creation of rental units through a) whole or partial changes in occupancy, and b) conversion of existing buildings to more intense occupancy which may involve very minor or major construction or renovations.

The approval process in Ontario is regulated by provincial statute, as noted above, and municipal by-laws. This paper focuses specifically on the legislative requirements as they apply in the City of Toronto, and places particular emphasis on the approval time required for each stage of the process.

Part 2 sets out the basic requirements of the system, which all applicants must meet, but which are relatively insignificant from the point of view of processing time involved.

Part 3 reviews the additional special approvals which may, depending on the type of development proposed and the area zoning by-laws, be required. These steps are not always involved, but will necessarily have a significant impact on approval time (and thus commencement of construction) when they are required. (See also Table 1, and the flowcharts of the approval processes at the end of this paper.)

Part 4 notes the approval processes and time for approval of support services and facilities within a project. Although these approval times are relatively short, building permit issuance may be contingent on their receipt and they are therefore factors to consider when calculating full development approval time.

Part 5 deals very briefly with the impact of municipal regulation on the level of construction.

3.2 Basic Approvals

3.2.1 Ontario Building Code and Zoning By-law Compliance

The building permit is the key approval document required for construction of any new building, structure or commercial complex. It certifies the plans' compliance with the technical requirements of the Ontario Building Code (Reg. under the Building Code Act), area zoning restrictions and special approval requirements. The building permit will not be issued until all necessary forms of approval have been obtained.

The application for a building permit is filed with the City's Buildings and Inspections Department; two or three sets of plans are required at the time of application. There is also a fee of $30,00 for the first $1,000 worth of construction and $10 for each additional $1,000 of construction.

If the plans comply upon submission with the Code and zoning by-laws such that no special types of approval are necessary, approval of the permit is straightforward and may be expected within 4-8 weeks.

If the application is refused for failure to comply with the technical requirements of the Ontario Building Code, the applicant may either adjust the plans to correct deficiencies/violations or appeal the refusal to the Ontario Building Commission under s. 14 of the Building Code Act. The Commission will hold a hearing and make a final determination of the sufficiency of compliance with the technical requirements. An appeal to the Commission may be expected to take 6-8 weeks.

The Ontario Ombudsman is empowered to investigate decisions of the Ontario Building Commission, should the applicant be dissatisfied with the Commission's decision. Four to six months should be allowed for that recourse.

Lack of compliance with zoning restrictions or the necessity to obtain special approvals means various further steps are required. These will necessarily have a significant impact on approval time.

3.3 Special Approvals

3.3.1 Minor Variance

If a building permit is refused because of a minor infraction of zoning requirements (for example, the shape of the lot prevents the builder from meeting minimum side-yard setbacks) the applicant may apply to the Committee of Adjustment for a Minor Variance, as provided in s. 44 of the Act. Minor Variances are generally granted if the Committee of Adjustment is of the view that the general intent and purpose of the by-law are maintained, that is, they are intended to provide flexibility and relief in dealing with minor adjustments where an actual rezoning is not called for.

The application for a Minor Variance together with several copies of the plan proposal and the $100 fee are submitted to the Secretary Treasurer of the Committee of Adjustment. The Committee prepares and delivers a notice describing the details of the requested variance to all residents with 60 metres of the property in question to allow objections. Not more than 30 days after receipt of the application (s. 44(4)), but at least 14 days after delivery of the notice, a hearing before the Committee of Adjustment will be held at which presentations by the applicant and any other interested parties may be made. Section 44(10) of the Act requires that notice of the Committee's decision must be mailed within 10 days. The process of approval of the Variance to this point will, if no, or only insiginificant objections are raised, have taken 2 1/2 to 3 months.

Within 30 days of its mailing date, the Committee's decision may be appealed to the Ontario Municipal Board by the applicant, the Ministry of Municipal Affairs and Housing or any interested party (s. 44(12)), for an additional fee of $75. Notice of Appeal is filed with the Secretary-Treasurer of the Committee of Adjustment, who will forward it to the Board. Reasons for the appeal must accompany the Notice (s. 44(12)). The Board will hold a hearing unless it decides that the appeal is insufficient (s. 44(17)). In that event, it may dismiss the appeal without a hearing, but must notify the appellant and allow representations as to the merits of the appeal.

When a hearing is held, the average period between the Board's receipt of the notice and the holding of the hearing is 2-3 months. Fifty percent of the decisions are rendered verbally at the hearing; the remaining 50% are reserved but are generally made within 4 weeks.

An appeal to the OMB may therefore take up to 4 months. A copy of the Board's order, which may dismiss the appeal or may make any decision which the Committee could have made, is sent to the applicant and the Secretary-Treasurer of the municipality (s. 44(19)).

Section 42 of the Ontario Municipal Board Act empowers the Board to rehear any application and review or alter any of its decisions, approvals or orders. Requests for reconsideration under s. 42 must be in writing and accompanied by an affidavit setting out the reasons for dissatisfaction. Two to four months should be allowed for this step, depending on whether the Board agrees to reconsider/rehear or not.

The Ontario Ombudsman is also empowered to review decisions of the Ontario Municipal Board, should the applicant be dissatisfied with its decision after requesting reconsideration.(4)

In certain cases, appeal may also be made to Divisional Court. This step could take up to six months.

3.3.2 Zoning By-law Amendment

Proposed residential construction which does not conform with zoning restrictions in significant ways (for example, construction of a 2-storey building in an area zoned for 1 storey dwellings) requires an amendment to the zoning by-law before a building permit will be issued.(5) Such rezoning applications are normally implemented via site-specific by-laws, which designate/change the zoning for as limited an area as possible within the larger by-law area. Site specific by-laws must conform with the Official Plan, which sets an upper level on permissable zoning (unless the developer succeeds in having the Official Plan itself amended, see 3.3.3, below).

Applications for rezoning must be approved by City Council itself; the preliminary review steps are also more involved than for Minor Variances.

The City Clerk, to whom the application is submitted, requires:

(1) thirteen copies of the application (which contains general information regarding the location of the project as well as the kind of relief which is sought from zoning restrictions);

(2) eight copies of a land survey;

(3) eleven sets of plans;

(4) a list of uses in the project, showing floor area of each, the number of dwelling units and the number of parking spaces required.

The City Clerk forwards the drawings and supporting documentation to the Commissioner of Planning and Development. The relevant area planner is then assigned responsibility for the application and normally conducts an initial review of the proposal in consultation with the applicant, ward alderman and community representatives.

On the basis of this initial review, a preliminary report is prepared by the Commissioner of Planning and Development which describes the proposal, identifies the relevant planning issues and the relationship of the proposal to the Official Plan. This report is submitted to Council's Land Use Committee, which considers its recommendations and decides whether the application warrants further consideration. If the application is refused, or a decision has not been made within 30 days, s. 34(11) provides that the applicant may appeal to the Ontario Municipal Board, which may dismiss the appeal or amend or direct amendment of the by-laws in such manner as it determines.

If the Committee authorizes further processing, the preliminary report is circulated to:

(a) the property owners and tenants within 120 metres of the site;

(b) the relevant City and Metro Departments; and

(c) other persons and agencies having an interest in the matter, including adjoining municipalities, school boards, conservation authorities, local Architectural Conservation Advisory Committees, gas and electrical utility companies, (adjoining) municipal planning boards, and the ministries of Natural Resources, Environment, Municipal Affairs and Housing and Transportation and Communications (if any of the land to which the by-law pertains is within the latter's jurisdiction).

Following a public meeting (which may take place not sooner than 30 days after circulation of the preliminary report), receipt of reports from the departments and agencies, and negotiations with the applicant, the Commissioner of Planning and Development prepares a final report which includes the comments of the various departments, outlines the planning considerations and makes final recommendations.

The Land Use Committee considers the final report and recommendations at its regular meeting (every 2 weeks), at which time it will hear from the applicant and interested parties. The Committee may request further reports at this time to resolve problems with the application. If the Committee supports the application, it requests the City Solicitor to circulate its decision and the final report to neighbouring residents and property owners and requests the City Solicitor to draft an amending by-law.

The draft by-law and the Committee's recommendation are then submitted to City Council for debate and approval. With contentious applications, there may be further deferrals at the Council stage. If and when the application is approved, City Council enacts and advertises the appropriate amending by-law.

The City's legal department must then again circulate the by-law, with an explanation, to property owners within 120 metres of the application site, and to relevant public agencies, as noted above, advising that objections can be submitted within 21 days. The Land Use Committee then holds a second public meeting. If objections have been filed, they are heard by the Committee, which may recommend re-affirmation of the by-law, possibly with amendments to resolve the objections. If no objections are filed within 35 days of municipal passage, the City Clerk declares that it conforms with the Official Plan and the by-law automatically comes into force (unless an Official Plan amendment is needed see 3.3.3, below). The process to this point will have taken 6 to 8 months. If objection(s) are lodged, as provided in s. 34(18), the Ontario Municipal Board shall hold a hearing unless it considers the objections insufficient to require such, in which case the appellant must be afforded the opportunity to make representations as to the merits of the appeal (s. 34(26)). If the Board approves the by-law, it comes into effect upon approval.

There is generally a four month period between the Board's receipt of the appeal and the hearing. Fifty per cent of decisions are given at the hearing; the remaining 50 per cent are reserved but will be issued within 6-8 weeks. The appeal may therefore take 6 months or longer.

Section 34(28) of the Planning Act gives the Minister of Municipal Affairs and Housing the authority to declare that provincial interest is or may be adversely affected by a by-law appealed under section 34(18). Notice of such designation must be received by the Board at least 30 days before the hearing date. Where the Board has received such notice, it shall make a decision but not an order in respect of the part(s) of the by-law identified in the notice. The Board's decision is not final or binding in respect of the part(s) of the by-law identified in the notice until confirmed by Cabinet. Section 34(30) gives Cabinet the authority to confirm, vary or rescind the decision of the Ontario Municipal Board in respect of the part(s) identified in the notice and in so doing may repeal or amend the by-law in whole or in part.

Recourse under s. 42 of the Ontario Municipal Board Act and to the Ombudsman is then available to dissatisfied applicants or interested parties. In certain cases, appeals may also be made to Divisional Court.

Where appeals have been filed, a by-law does not come into force on the day it was passed by Council, except for such parts repealed or amended by the OMB or Cabinet (s. 34(31)).

3.3.3 Official Plan Amendment

Proposed construction/development which conflicts with zoning restrictions in major ways for example, with density allowances or designated use, will require an amendment to the Official Plan as well as a zoning by-law amendment.

The Official Plan is the City's major planning document. It reflects the planning/land use goals and policies of Council. As it is considered an indication of the upper limits on permitted zoning, applications for amendments are treated from the outset as matters to be the subject of thorough scrutiny and consultation with interested parties. Although the approval process follows much the same path as zoning by-law amendment approval, consideration at each step is more intense. The process therefore takes longer -- "many months" according to the municipality's general information pamphlet, which appears to translate to 2-3 years -- and may never result in approval.

Applications for Official Plan amendments are made (jointly, with the zoning amendment application) to the City Clerk. From here, it follows the same route as rezoning except that once City Council gives final approval, the proposal is then submitted to the Minister of Municipal Affairs and Housing for consideration. The Minister may also confer with such municipal, provincial and federal officials as he feels may have an interest in the matter. He may approve, amend, refuse (allow 4 to 6 months) or refer the matter to the Ontario Municipal Board (add 6-8 months) for a hearing (s. 17(11)). The Council or applicant or any other person may, with written reasons, request the Minister to refer the plan to the Board and he is required to do so unless he is of the view that the request is not made in good faith, is frivolous, vexatious or is made only for the purpose of delay (s. 17(11)). On a referral from the Minister, the Board is required to hold a hearing, following which it may make any decision the Minister could have made.

Section 17(19) provides for Ministerial declaration that provincial interest is or may be adversely affected by the plan, not later than 30 days before the hearing scheduled following a referral under s. 17(11). Where the Board has received notice of provincial interest, its decision is not final or binding in respect of the part(s) of the plan identified in the notice until confirmed by Cabinet. Section 17(21) of the Planning Act gives the Cabinet the authority to confirm, vary or rescind the decision of the Board in respect of the part(s) of the plan identified in the notice.

S. 21(2) gives the Minister the authority to waive the requirement for his approval where provincial interest is not adversely affected by an amendment and no request for referral under s. 17(4) has been received.

Recourse under s. 42 of the Ontario Municipal Board Act and to the Ombudsman applies. Note that the Ombudsman may investigate decisions of the Minister of Municipal Affairs and Housing as well as the Ontario Municipal Board.

3.3.4 Development Approval (Site Plan Control Areas)

Since 1974, with the enactment of s. 35a (now s. 40), municipalities have been entitled to exercise what was described in 1974 as Development Control and is now called Site Plan Control. Since that time, certain areas of the City have, by by-law, been designated "Areas of Site Plan Control", thus imposing an additional level of control on development of land so designated, over and above that imposed by the zoning by-law(s). If the proposed construction is in a Site Plan Control Area,(6) is found to constitute "development" as defined in s. 40(1) of the Planning Act:

> The construction, erection or placing of one or more buildings or structures on land or the making of an addition or alteration to a building or structure that has the effect of substantially increasing the size of usability thereof, or the laying out and establishment of a commercial parking lot or of sites for the location of three or more trailers as defined in clause (a) of paragraph 95 of section 210 of the Municipal Act or of sites for the location of three or more mobile homes as defined in clause 45(1)(a) of this Act.

and is not specifically exempted (small projects such as housing additions, private houses garages, temporary and accessory buildings and non-residential additions and buildings having under 1500 sq. ft. of floor area are exempt), s. 40 of the Planning Act is brought into play. That section requires that the applicant obtain development approval for the construction from City Council. This applies even if the proposed development fully complies with Ontario Building Code requirements and zoning by-laws.

The development review procedure is intended to give the City an opportunity to require provision, at no expense to the municipality, of such features as street and lane widening, off street parking, pedestrian walkways, loading facilities, landscaping, easements for drainage and sewerage facilities, outdoor lighting facilities, garbage storage areas, etc.

If development approval is required, the applicant must submit an application form, 10 copies of proposal plans and a recent survey to the Commissioner of Planning and Development. The applicant may also be required to meet with the Planning and Development Department. The application is then processed by that Department. Comments are requested from:

(a) Buildings and Inspections (re: compliance with zoning by-law(s) and the Ontario Building Code);

(b) Parks and Recreation (re: landscaping and city owned trees), and

(c) Public Works (re: parking, access, garbage storage and servicing matters).

Other departments may also on occasion be involved. The local community planner for the area is also consulted with respect to local planning objectives.

On receipt of all comments and written reports from the departments involved and the resolution of any technical problems, a report recommending approval of the development, including any conditions, is prepared. This report is then sent to the Land Use Committee for consideration. Its decision is forwarded to City Council for approval. The full process can be expected to take 12-14 weeks.

If the owner is dissatisfied with City Council's decision (including conditions) or if Council fails to make a decision within 30 days, s. 40(12) provides that he may require that the matter be referred to the OMB for determination. This will add 6 to 8 months to the processing time, and is apparently rarely done; most problems and disagreements are ironed out in the course of negotiating the agreement.

Recourse under s. 42 of the Ontario Municipal Board Act and to the Ombudsman applies.

3.3.5 Subdivision Approval

Subdivision control is brought into play if a person wishes to divide his land into smaller lots, thus creating new interests in the land. In the absence of development which creates new interests (a change in land titles), this form of control is not a factor.

Subdivision approval generally plays a larger role these days in rural and developing areas, where there are more large lots to be divided into smaller ones than there are in the City of Toronto (it was required 4 times within the City between 1977 and 1984).

Section 49 of the Planning Act prohibits owners from selling lots subdivided from a larger lot unless (a) the land is described within a registered plan of subdivision, (b) consent (to subdivide/sever) has been obtained, or (c) the grantor (vendor) does not retain fee in land abutting the land being sold.

Registration of the plan of subdivision is the control method used in Toronto. Metro Council has been delegated approval authority for the municipality by the Minister of Municipal Affairs and Housing.

In order to sell lots by way of a registered plan of subdivision, the owner must make application to Metro's Planning Department for approval of the plan. This is done by submitting a draft plan of subdivision, which is in effect a proposal indicating how the owner proposes to divide his lands. Section 50(2) lists those matters such as, roads within the subdivision, the lots and purposes for which they will be used, the services, the natural features of the land and the existing uses of the adjoining land, which should be disclosed in the draft plan.

Assessment of these features is not done against any set standard, as in the case of zoning by-laws. The approving authority is simply required, by s. 50(4) of the Act, to consider such matters as: the health, safety, convenience and welfare of future inhabitants; the plan's conformity to the Official Plan and (any) adjacent plans of subdivision; the suitability of the land for the purpose for which it is to be subdivided; highways within the vicinity, etc., in evaluating the draft plan. In so doing, Metro may solicit comments from Ministries, federal officials, and officials of commissions and authorities which may have an interest in the matter (allow 2-6 months). Upon receipt of comments, Metro Council will decide whether or not to approve the proposal. If it approves the plan as submitted, the process to this stage will have taken 4 to 9 months.

Section 50(5) of the Act gives the approving authority the power to impose conditions on its approval (for example, requiring the owners to agree to provide what are normally municipal services such as sidewalks, curbs, roads, water lines, sewers etc. for the subdivision and to post a bond ensuring completion of the terms of the agreement). The imposition of conditions, particularly those proposed by the area municipality is routine. The agreement respecting conditions is made directly with the area municipality.

If the owner is not satisfied with conditions imposed, he may, under s. 50(17), require that they be referred to the OMB for consideration. The Board will hear and determine the reasonableness of the conditions. This review may take 6-8 months.

If Metro Council proposes to refuse the approval, the applicant may, within 60 days of the sending of the notice of intent to refuse, request Metro to refer the draft plan to the OMB (50(14)). Where it receives such a request, it is required to refer the plan unless it is of the view that the request is not made in good faith, is frivolous, vexatious or is made only for the purpose of delay. Where the Board receives such a referral from an approving authority, it shall hear and determine the matter. Such a referral and hearing should be expected to take 6-8 months.

Recourse under s. 42 of the Ontario Municipal Board Act and to the Ombudsman applies.

Following approval of the draft plan of subdivision, s. 50(19) provides that the owner may go ahead with the proposed development, following completion of which he must submit a final plan of subdivision certified by an Ontario land surveyor. If Council finds the plan in conformity with the draft plan (and any conditions imposed), it will approve the final plan for registration. Registration must be done within 30 days or the approval may be withdrawn (s. 50(21)).

3.3.6 Demolition Permit

In 1974, all of the City of Toronto was, by by-law 284-74, designated an area of demolition control, pursuant to s. 33(2) of the Planning Act. Accordingly, if the proposed construction requires demolition of all or part of a residential building, a demolition permit is now required.

The demolition of historic buildings, as designated under the Ontario Heritage Act, also requires a demolition permit.

Demolition that does not involve an historic building or dwelling units (units "used or designated for use as domestic establishments in which one or more persons may sleep and prepare and serve meals"; s. 33(1) of the Planning Act), is straightforward and requires the approval of the Department of Buildings and Inspections only; in those cases, the permit may be expected within 3-4 weeks.

Demolition permits for buildings containing dwelling units (residential property) require City Council approval (s. 33(3)). However, once a building permit has been issued for a new building, Council must authorize the issuance of a demolition permit for the property in question (s. 33(6)). Council therefore as a matter of policy will not authorize a demolition permit on such projects until and unless a building permit is issued.

If a demolition permit for a residential property is refused or if Council neglects to make a decision on an application within 30 days of receipt, the applicant may appeal the matter to the Ontario Municipal Board, which will decide the matter (s. 33(4)).

Council may also impose a condition on the granting of a demolition permit for a residential building -- that the holder complete the proposed new building within a certain period of time (not less than 2 years from the date demolition commences) (s. 33(7)). Relief from the limitation period may be applied for if the holder finds the limitation unreasonable (s. 33(10)), and he may appeal Council's decision on an application for relief to the OMB, within 20 days of the mailing of the notice of Council's decision (s. 33(12)).

Buildings of historic/architectural significance, as prescribed in the Ontario Heritage Act, are of two types -- (a) "listed" historic buildings and (b) "designated" historic buildings.

If the building on the property is on Council's list of historic buildings, the Toronto Historical Board will review/approve the demolition. Designated historic buildings require City Council's approval, following receipt of a report from the Historical Board.

The City does not have the authority to refuse outright the demolition of an historic building, as it does in the case of a residential building. The Ontario Heritage Act provides only that Council may (a) grant consent for the demolition, or (b) refuse to allow the demolition for a period of 180 days (s. 34(2)), and Council's decision must be made within 90 days of receipt of the application. In other words, the most that Council can do is delay the demolition. Designation of historical significance therefore really only serves to bring a demolition proposal for such a building to the City's attention. In practice, the City routinely takes the full 90 days to makes its decision and delays the demolition of an historic building for 180 days while it tries to negotiate the preservation of it, or some part of it, while still allowing the development. This may be achieved by providing a "density bonus" to the developer in exchange for an agreement to incorporate the old building into the new. This was done with the Church of the Redeemer at Avenue Road and Bloor when the construction of the Renaissance Plaza was proposed, and with the Medical Arts Building.

Application for a demolition permit is made to the Building and Inspections Department. It must note the square footage of the building to be demolished and include a fee of $10 per 1000 square feet of gross floor area (the floor area of each storey, including basements). An additional fee of $15.00 is charged if a survey is required.

3.4 Approval of Services/Facilities

Installation of certain services and facilities in the course of construction, such as hydro, heat, water and elevator, require a permit and certification following completion.

3.4.1 Hydro

The installation of hydro-electric equipment requires a permit before work may commence. The electrician must submit plans (which have normally been drawn up on conjunction with an electrical engineer) to both Toronto Hydro and Ontario Hydro. Ontario Hydro evaluates the plans to ensure that they meet provincial standards (the Electrical Safety Code, Regulation 794 under the Power Corporation Act). There is a fee of $23 per 1/2 hour for evaluation of the plans and drawings.

Upon approval, which takes under two weeks, an installation fee based on a sliding scale (for example, in a large apartment building, $122.00 for the first 2 rental units, $19 for each additional unit plus a separate charge for 'house services' in common areas which, in a large apartment building will approximately double the unit charge) is payable. Toronto Hydro must be notified of Ontario Hydro's approval and installation may then begin.

Various inspections are conducted by Ontario Hydro inspectors during installation, and then a final inspection by both Ontario Hydro and Toronto Hydro to ensure that standards are met. Assuming the work is satisfactory, a certificate of approval is issued by Ontario Hydro upon final inspection.

3.4.2 Heat

Plans for installation of new gas or oil heating systems require the approval of the City's Buildings

Department before installation may commence. Certification, following completion, that the work complies with the municipal Heating Code, is also required. A certificate of approval will be posted on the furnace after final inspection.

The installation of an electrical heating system requires inspection/approval by Ontario Hydro and Toronto Hydro as in 3.4.1 above.

3.4.3 Water

Connection to the Public Supply

Application to hook up to the public water facilities may be made before the building permit is issued, to the Work Department. The possibility of using old/existing facilities will be investigated, although doing so is becoming increasingly difficult, as requirements have changed. Processing of the application generally takes only "a couple of days".

According to the Department, approval for the connection is not contingent on issuance of the building permit, but the reviewer does as a matter of policy check with the Building and Inspections Department to confirm the building permit is not being held up, so that the review/approval will not be done unnecessarily. It would seem that the approval is therefore dependent on building permit approval.

If the connection is approved, a deposit is required before the work will be scheduled. The amount of the deposit depends on the size of the building and therefore the water supply, but will be "in the thousands".(7) There is an average of two weeks wait between scheduling and carrying out of the work (longer in winter if extreme weather conditions interfere). The hook-up takes a couple of days.

Private Facilities

Plumbing and water supply work within a private building requires a plumbing permit. The application, with plans, is submitted to the Plans Examination Department. If the work is being done in a building where construction is extensive enough to require a building permit, approval of the plumbing permit will also be held pending approval of the building permit.

Once the plumbing permit is received, a plumbing inspector will inspect the work at various stages during installation and make a final inspection upon completion to confirm compliance with provincial standards (Ontario Plumbing Code, Reg. 647 under the Ontario Water Resources Act). No actual certificate is issued to the builder/owner, however.

3.4.4 Elevator

Before commencing elevator installation work, a registered contractor must submit drawings for registration and approval to the Elevating Devices Branch of the Ministry of Consumer and Commercial Relations. There is a variable registration fee ($200.00 for 1 residential apartment size elevator serving 20 floors, consisting of $100 for the first 10 floors and $10 for each additional floor). Registration/approval of the plans takes about two weeks if provincial standards (Elevating Devices Act) are met in the original submission, longer if corrections or modifications are required. An installation fee is payable upon approval, again variable according to the type and size of elevating device. Work may begin upon approval and payment of the installation fee.

Upon completion of the installation, the contractor notifies the Branch, which will inspect the work, normally within 3-4 working days. If and when the elevator is certified, an installation identification plate will be posted in the elevator car and a licence is issued to the owner at a cost of $25.

Approval of services and facilities therefore takes relatively little time and the process period will, in the case of hydro, heat and elevator approval, overlap with construction time and, in the case of water, with building permit approval time.

3.5 Impact of the Approval Process/Development Control on Rental Construction

The amount of, or scope for, land use control by the City has increased over the last decade. Relative to the situation in the distant past, when a property owner had a inherent right to do whatever he wished with his land, present municipal and provincial regulations and policies have an extremely constraining effect on land use.

The present process of obtaining approval for rental construction can be extremely involved and lengthy, taking anywhere from several weeks to several years, depending on the type of work planned and the existing zoning structure. The process would therefore seem to have the potential for significantly affecting construction. To compound the problem, builders beginning the planning process are responding to the current market despite the fact that construction of the project may be delayed for years.

The City is currently bending over backwards to permit proposed residential rental construction, in an attempt to compensate somewhat for the recent low rate of housing starts.(8)

A concerted effort is also currently being made by the City to shorten and streamline processing time as much as possible. The standards have not actually been relaxed, but an attempt to minimize administrative handling time is being made.(9)

The ever increasing public and political participation in the development control process is a factor which, while keeping the system open and public, is also partially responsible for the increase over the last decade in the time needed to proceed through the various approval steps.(10) Nonetheless, from the City planner's perspective, the approval process does not have a significant effect on construction levels; a serious builder would not be deterred by it.(11)

Developers do in fact seem to have found ways to accommodate the development approval hurdle. Goldlist

Construction, for example, finds it unprofitable to carry property for more than a year and a half while obtaining development approval; anything more makes the project too costly. Ironing out zoning/development problems frequently takes considerably longer, however, despite the fact that the City is inclined to approve such construction where possible. Consequently, the company only acquires land which it knows is appropriately zoned. This may increase the purchase price, but evidently not to the extent that carrying the land for years would increase costs. This is consistent with the planners' view that development control is a necessary planning tool which the market has managed to adapt to.

The question of just what factors are responsible for the recent drop in housing starts, and to what extent, has been the subject of considerable debate over the past several years. Others which have been cited, at various times, as possible contributors include:(12)

1) the difficulty and expense of arranging financing, i.e., mortgage funds available only on shorter terms, at variable rates;
2) the declining rate of population growth;
3) the unstable supply of vacant, usable, serviced land;
4) a shortage of available construction labour;
5) a shortage of some construction materials;
6) rent control.

The approval process itself has the effect of increasing construction costs, by either:

1) creating a delay in construction, if the builder himself takes on the process of obtaining approvals and absorbs the cost of compliance, or

2) pushing up the purchase price if the developers prefers to hold out for appropriately zoned land,

thereby making it that much harder for developers to reconcile their costs with a controlled market.

The impact of municipal land use regulation cannot therefore be viewed in isolation. Further study of its effect on the housing market relative to rent review and other interconnected factors, and the nature of the ties between these factors, would perhaps be appropriate.

TABLE 1

MAJOR STEPS IN THE APPROVAL PROCESS

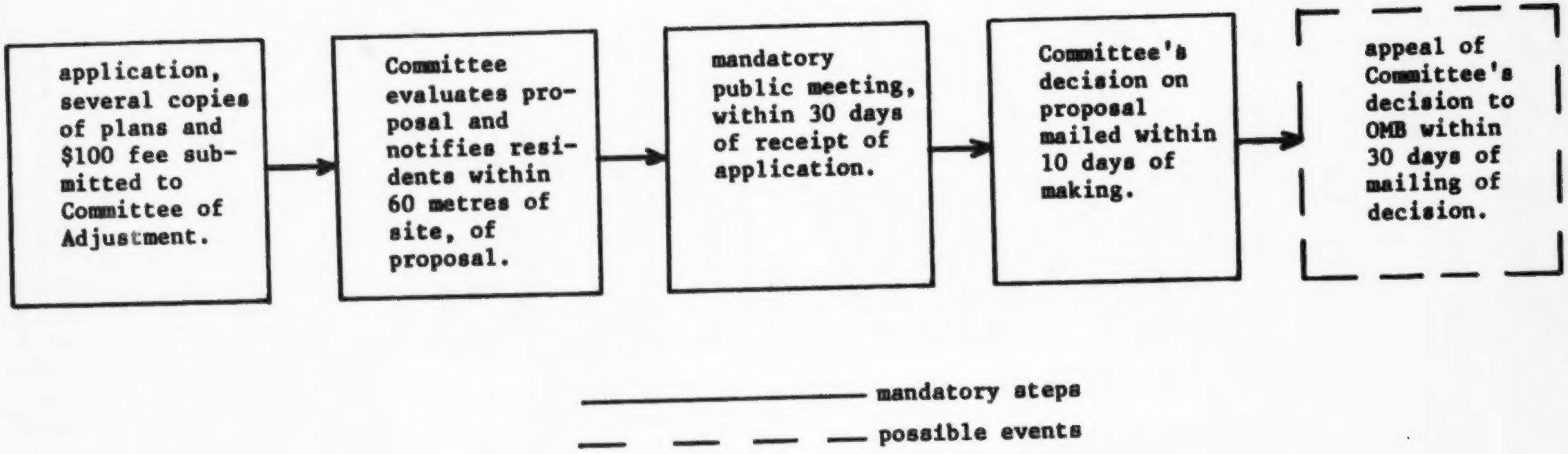
STEP	CONDITION	MINIMUM TIME	MAXIMUM TIME[1]	FEE
1. Minor Variance	minor infraction of zoning bylaw requirements, eg., failure of plans to meet minimum side - yard setback requirements	2½ months	7 months	$100 application fee $ 75 appeal fee
2. Rezoning	'significant' infraction of zoning restrictions, eg., 2 storey building in area zoned for 1 storey dwellings	6 months	20 months	None
3. Official Plan Amendment	'major' infraction of zoning restrictions, eg.. in density or use designations	10 months	2 years	None
4. Development Approval	proposed construction/development is in an "Area of Site Plan Control"	3 months	12 months	None
5. Subdivision Approval	lot is being sub-divided into smaller lots	4 months	20 months	None*
6. Demolition Approval	proposed construction requires demolition of an existing building:			
	(a) with no dwelling units or historical designation..	3 weeks	4 weeks	$10/1000 sq. ft. of gross floor area + $15 survey fee
	(b) with dwelling units.........	b. permit approval time	b. permit approval time	
	(c) listed or .... designated historical	270 days	270 days	

* may change in the next year or so.

[1] not including s. 42 recourse to the OMB or investigation by the Ombudsman, which may add 4 and 6 months, respectively, to the process.

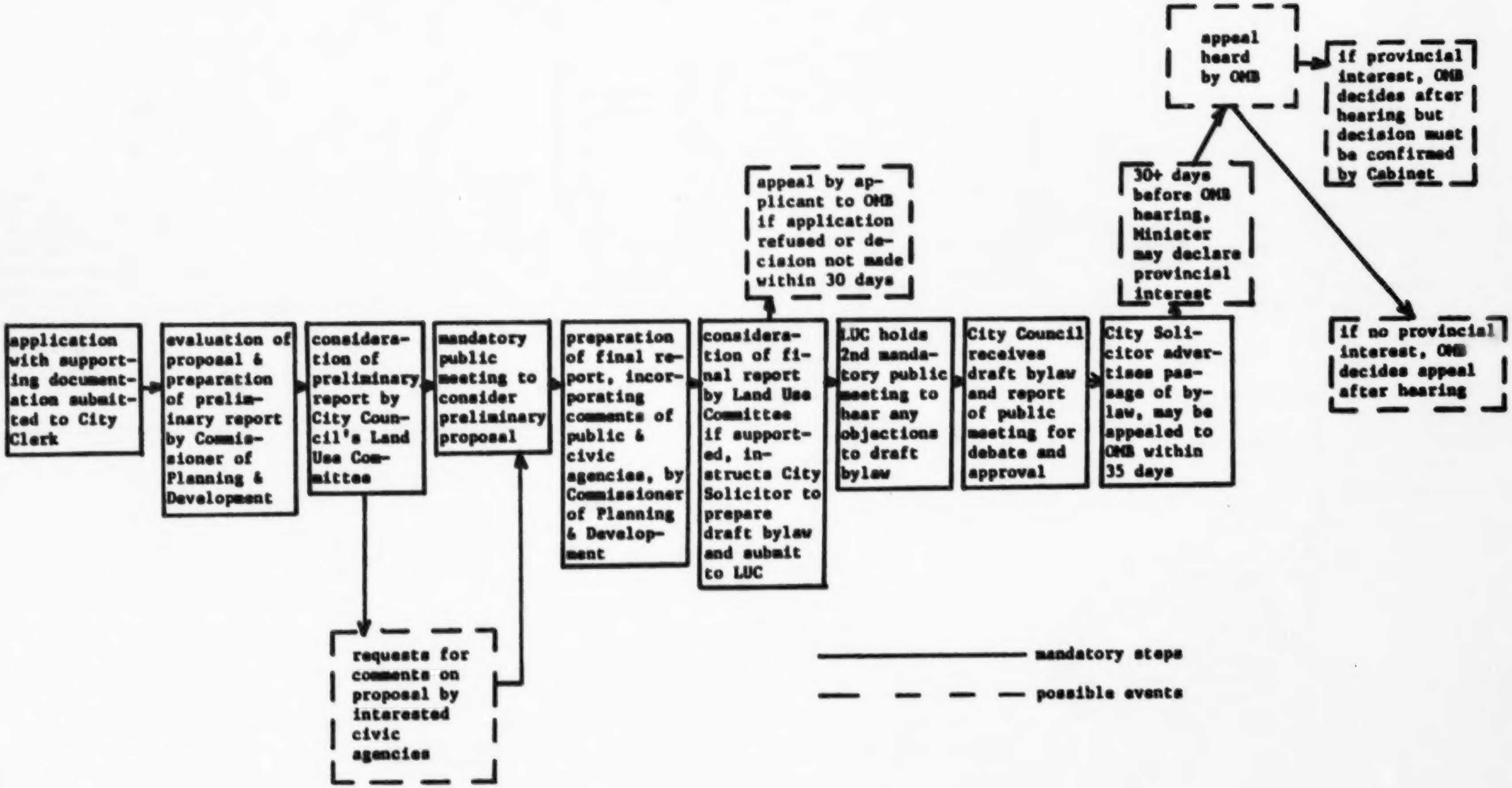
Flowchart 1

Minor Variance Approval Process


application, several copies of plans and $100 fee submitted to Committee of Adjustment.
Committee evaluates proposal and notifies residents within 60 metres of site, of proposal.
mandatory public meeting, within 30 days of receipt of application.
Committee's decision on proposal mailed within 10 days of making.
appeal of Committee's decision to OMB within 30 days of mailing of decision.
mandatory steps
possible events

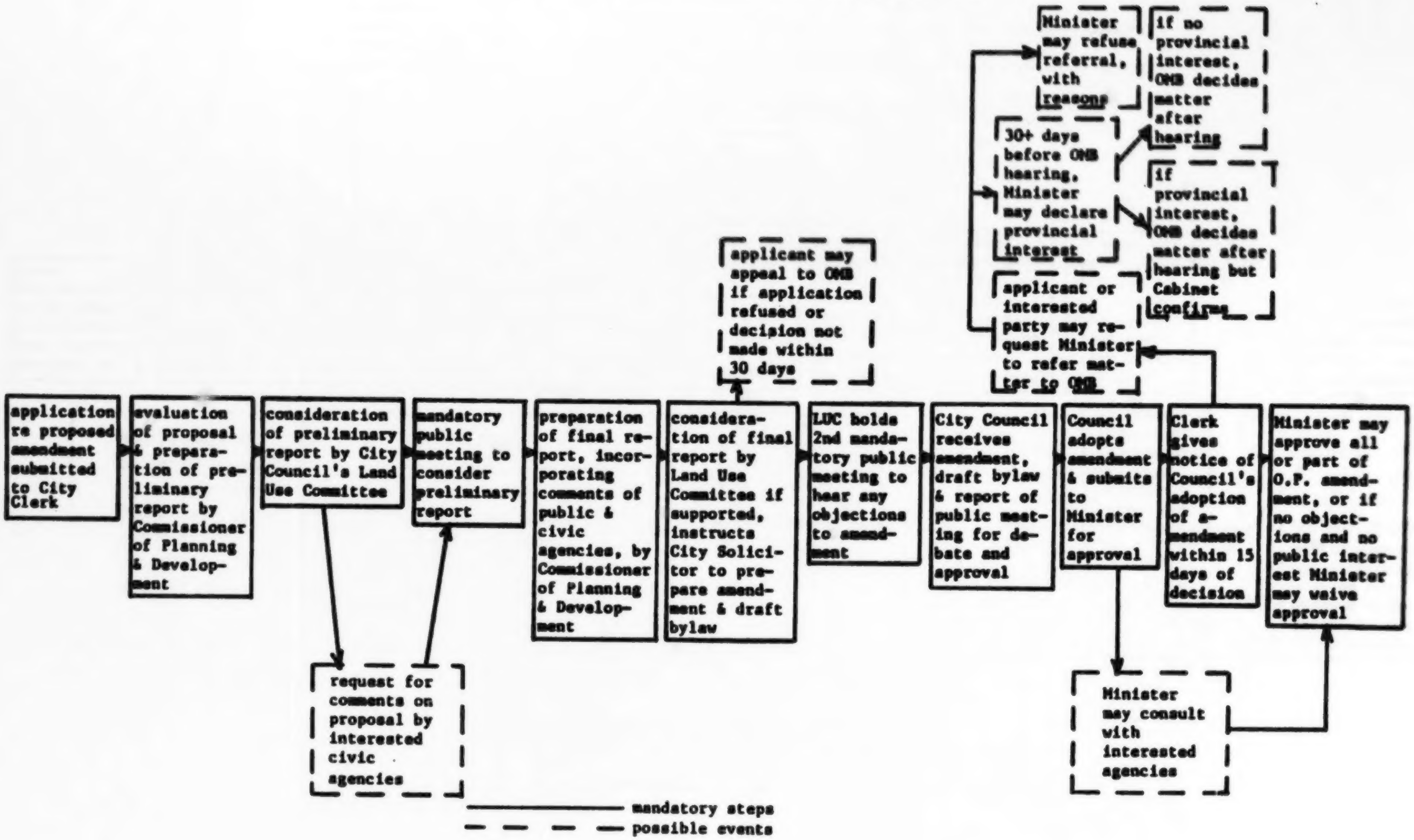
Flowchart 2

Rezoning Approval Process


application with supporting documentation submitted to City Clerk
evaluation of proposal & preparation of preliminary report by Commissioner of Planning & Development
consideration of preliminary report by City Council's Land Use Committee
requests for comments on proposal by interested civic agencies
mandatory public meeting to consider preliminary proposal
preparation of final report, incorporating comments of public & civic agencies, by Commissioner of Planning & Development
consideration of final report by Land Use Committee if supported, instructs City Solicitor to prepare draft bylaw and submit to LUC
appeal by applicant to OMB if application refused or decision not made within 30 days
LUC holds 2nd mandatory public meeting to hear any objections to draft bylaw
City Council receives draft bylaw and report of public meeting for debate and approval
City Solicitor advertises passage of bylaw, may be appealed to OMB within 35 days
30+ days before OMB hearing, Minister may declare provincial interest
appeal heard by OMB
if provincial interest, OMB decides after hearing but decision must be confirmed by Cabinet
if no provincial interest, OMB decides appeal after hearing
mandatory steps
possible events

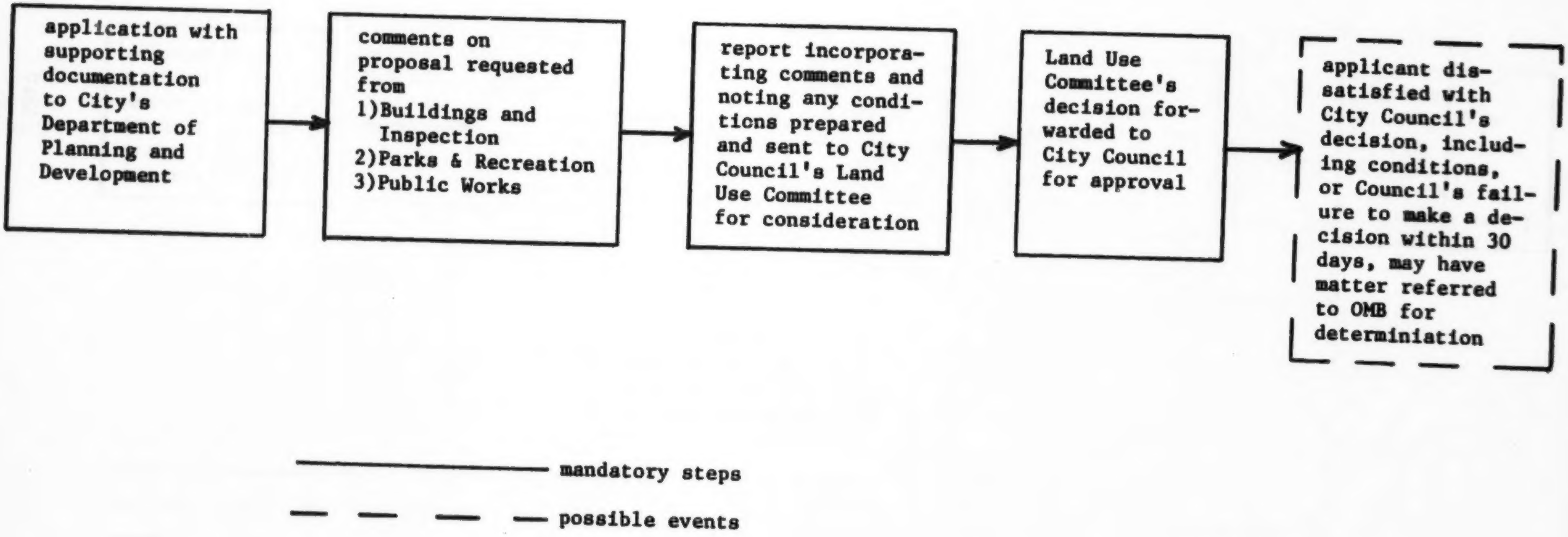
Flowchart 3

Official Plan Amendment Approval Process


application re proposed amendment submitted to City Clerk
evaluation of proposal & preparation of preliminary report by Commissioner of Planning & Development
consideration of preliminary report by City Council's Land Use Committee
request for comments on proposal by interested civic agencies
mandatory public meeting to consider preliminary report
preparation of final report, incorporating comments of public & civic agencies, by Commissioner of Planning & Development
consideration of final report by Land Use Committee if supported, instructs City Solicitor to prepare amendment & draft bylaw
applicant may appeal to OMB if application refused or decision not made within 30 days
LUC holds 2nd mandatory public meeting to hear any objections to amendment
City Council receives amendment, draft bylaw & report of public meeting for debate and approval
Council adopts amendment & submits to Minister for approval
Minister may consult with interested agencies
Clerk gives notice of Council's adoption of amendment within 15 days of decision
applicant or interested party may request Minister to refer matter to OMB
Minister may refuse referral, with reasons
30+ days before OMB hearing, Minister may declare provincial interest
if no provincial interest, OMB decides matter after hearing
if provincial interest, OMB decides matter after hearing but Cabinet confirms
Minister may approve all or part of O.P. amendment, or if no objections and no public interest Minister may waive approval
mandatory steps
possible events

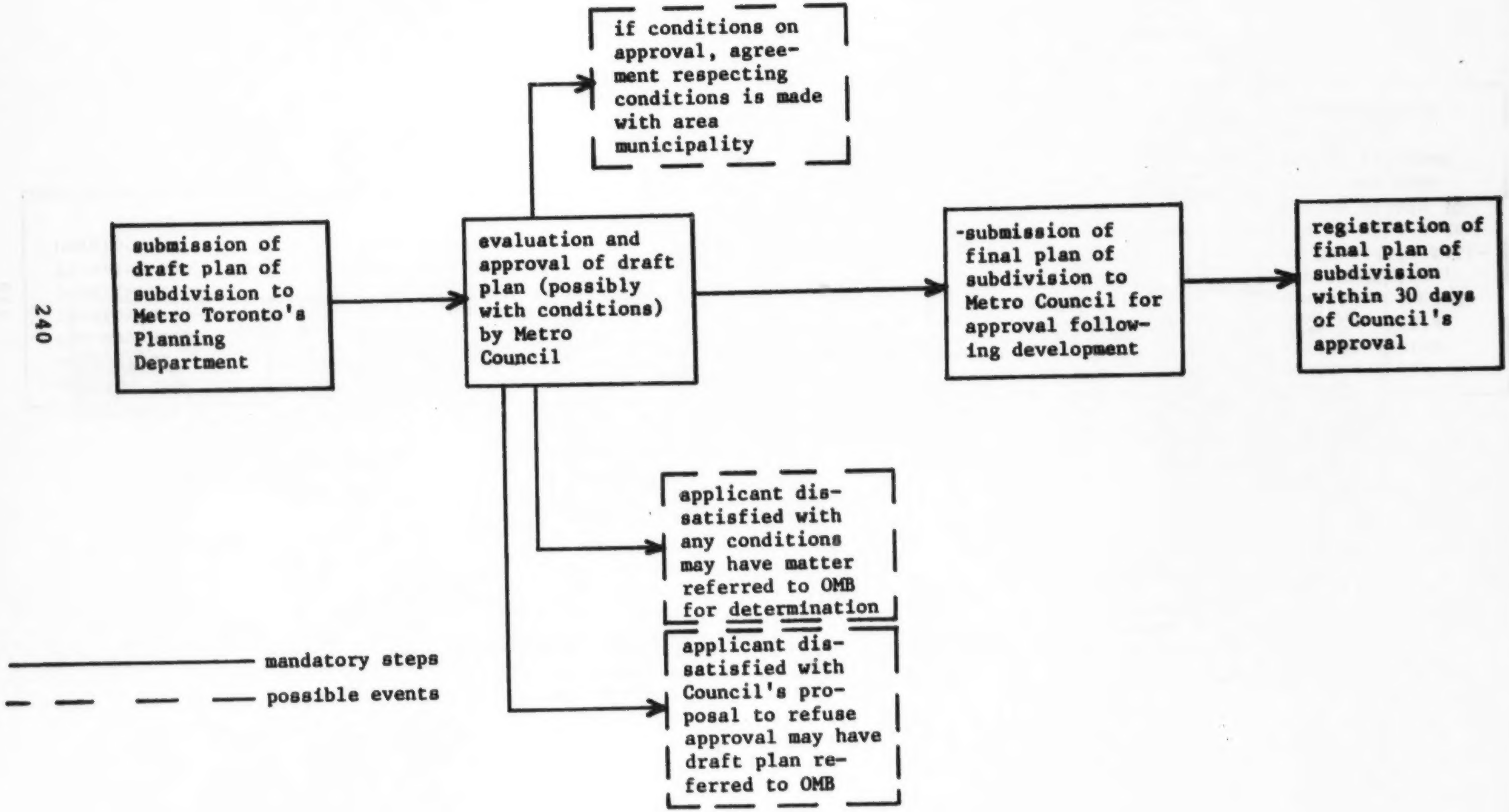
Flowchart 4

Development Approval Process (Site Plan Control)


application with supporting documentation to City's Department of Planning and Development
comments on proposal requested from 1)Buildings and Inspection 2)Parks & Recreation 3)Public Works
report incorporating comments and noting any conditicns prepared and sent to City Council's Land Use Committee for consideration
Land Use Committee's decision forwarded to City Council for approval
applicant dissatisfied with City Council's decision, including conditions, or Council's failure to make a decision within 30 days, may have matter referred to OMB for determiniation
mandatory steps
possible events

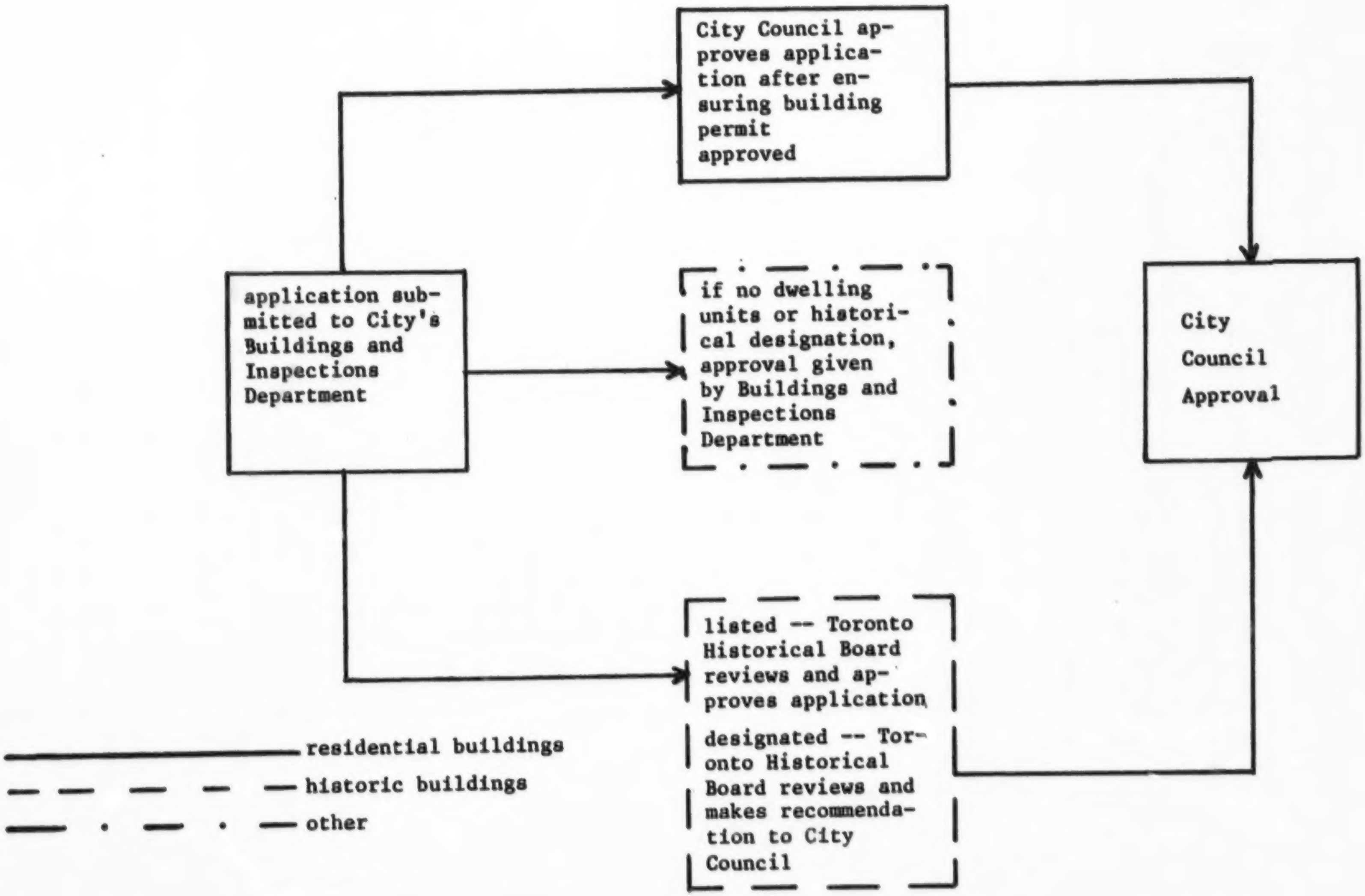
Flowchart 5

Subdivision Approval Process (Registered Plan of Subdivision)


submission of draft plan of subdivision to Metro Toronto's Planning Department
evaluation and approval of draft plan (possibly with conditions) by Metro Council
if conditions on approval, agreement respecting conditions is made with area municipality
applicant dissatisfied with any conditions may have matter referred to OMB for determination
applicant dissatisfied with Council's proposal to refuse approval may have draft plan referred to OMB
-submission of final plan of subdivision to Metro Council for approval following development
registration of final plan of subdivision within 30 days of Council's approval
mandatory steps
possible events

Flowchart 6

Demolition Approval Process


application submitted to City's Buildings and Inspections Department
City Council approves application after ensuring building permit approved
if no dwelling units or historical designation, approval given by Buildings and Inspections Department
listed -- Toronto Historical Board reviews and approves application
designated -- Toronto Historical Board reviews and makes recommendation to City Council
City Council Approval
residential buildings
historic buildings
other

Notes to Section 3

(1) Jaffary and Makuch, 1977.

(2) All statute references are to the Planning Act, 1983, unless otherwise noted.

(3) Includes the Planning Act, 1983, and relevant municipality's by-laws.

(4) As a matter of policy, the Ombudsman requires that complainants request the s.42 review before asking the Ombudsman to investigate the Board's decision, notwithstanding that he has jurisdiction from the time of the initial decision. The Ombudsman is intended to be a forum of last resort.

(5) The right to rent any residential accommodation is unrestricted. However, the type of residential dwelling permitted is restricted by area zoning by-laws. These vary widely between municipalities as does the strictness of enforcement. Residential construction is permitted in any areas zoned "R" - Residential, i.e. Rl, R2, R3, R4, with successive categories increasingly inclusive as follows:
Rl - private detached residential buildings
R2 - Rl plus semi-detached, row converted, duplex, double-duplex, triplex, double-triplex and apartment houses designed by an architect, up to 30 or 40 feet in height
R3 and R4 - R2 dwellings plus certain residential support services such as public schools, churches, monasteries, dentists, doctors, etc., and
C/R (Commercial/Residential) which has less stringent height and density restrictions, thereby allowing highrise apartments with some commercial use.
Occupancy of residential units (through rental or ownership) is regulated through municipal by-laws as well. In many municipalities, each of the above-noted units is considered a single unit and must be occupied as such. Under Rl zoning, single occupancy means a traditional "family" only (the City of Toronto allows occupancy by up to 2 boarders or lodgers). For a dwelling in an R2 zone, the definition of single includes: 1 person, 2 or more related persons or up to 5 unrelated persons. There are also corresponding provisions in city housing standard by-laws.

(6) Areas of the city currently under Site Plan Control are:
1) downtown core;
2) Yonge Street corridor up to the City limits;
3) Queen Street East;
4) Danforth Avenue;
5) Waterfront/Leslie Street Spit;
6) Yorkville area;

7) Annex;
8) Several small outer areas under site specific by-laws.

(7) Mr. Greenberg, Works Department, City of Toronto.

(8) Arthur Sissons, Development and Control Division, Department of Planning and Development, City of Toronto.

(9) Arthur Sissons, Development and Control Division, Department of Planning and Development, City of Toronto.

(10) Ibid.

(11) Ibid.

(12) Clayton Research Associates Ltd. 1981b. Housing Demand and Constraints on Residential Construction in Toronto in the 1980's.

References

The following people were consulted on the various stages of the approval process:

1) Gloria James, Land Use Committee, City of Toronto.
2) Pat Burke, Buildings and Inspections Department, City of Toronto.
3) Mr. T. Crawford, Buildings and Inspections Department, City of Toronto.
4) Allan Appleby, Central Planning Office, City of Toronto.
5) Paul Byrne, Planning Department, Metropolitan Toronto.
6) Paul Hamilton, Planning Department, Metropolitan Toronto.
7) Mrs. C. Hall, Planning Division, Ontario Municipal Board.
8) Mrs. Morris, Planning Division, Ontario Municipal Board.
9) Mr. Greenberg, Works Department, City of Toronto.
10) J.B. Robb, Elevating Devices Branch, Ministry of Consumer and Commercial Relations.
11) D. Shimsky, Building Department, City of Toronto.
12) Gary Griesdorf, Goldlist Construction Ltd.
13) Arthur Sissions, Development and Control Division, Department of Planning and Development, City of Toronto.
14) Mr. Little, Inspection Program Branch, Ontario Hydro.
15) Jim Caldwell, Toronto Hydro.

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Research Studies

The following is a list of papers commissioned by the Inquiry.

No.	
1	Slack, Enid and Sherry Glied. Rent Registry Alternatives.
2	Reid, Frank. Collective Bargaining for Tenants.
3	Jaffary, Karl D. Problems in the Regulation of Rents for Roomers and Boarders.
4	MacDonald, Daniel V. Constitutional Reference Re: The Residential Tenancies Act.
5	Fallis, George. Possible Rationales for Rent Regulation.
6	Hulchanski, J. David. Market Imperfections and the Role of Rent Regulations in the Residential Rental Market.
7	Sharp, Campbell, Pannell Kerr Forster Campbell Sharp. Survey of Financial Performance of Landlords.
8	Marks, Denton. Housing Affordability and Rent Regulation.
9	Steele, Marion and John Miron. Rent Regulation, Housing Affordability Problems, and Market Imperfections.
10	Clayton Research Associates Limited. Rent Regulation and Rental Market Problems.
11	Makuch, Stanley M. and Arnold Weinrib. Security of Tenure.
12	Hartle, D.G. The Political Economy of Residential Rent Control in Ontario.
13	Slack, Enid and David P. Amborski. The Distributive Impact of Rent Regulation.
14	Knetsch, Jack L., Daniel Kahneman and Patricia McNeill. Residential Tenancies: Losses, Fairness and Regulations.
15	Stanbury, W.T. Normative Bases of Rent Regulation.
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17	Stanbury, W.T. and P. Thain. The Origins of Rent Regulation in Ontario.
18	Stanbury, W.T. and I.B. Vertinsky. Rent Regulation: Design Characteristics and Effects.
19	Chant, John. Overview of Alternative Rental Housing Policies.
20	Foot, David K. Housing in Ontario: A Demographic Perspective.

21 Quirin, G. David. Regulatory Systems and their Applicability to Rent Controls.

22 Mascall, M. and Associates. Report of the Ontario Rental Housing Market.

23 Environics Research Group Limited. Financing Residential Rental Accommodation: A Survey.

24 Ekos Research Associates Inc. A Study of Landlords and Rent Regulation.

25 des Rosiers, Francois. A Rent Control System in Quebec.

26 Slack, Enid. The Costs of Rent Review in Ontario.

27 Muller, Andrew. Workable Rent Regulation: A Synthesis.

The following is a list of papers prepared by the research staff of the Inquiry.

28 Adams, Eric B., Pearl Ing and John Pringle. A Review of the Literature Relevant to Rent Regulation.

29 Adams, Eric B., Pearl Ing, Janet Ortved and Mary Jane Park. Government Intervention in Housing Markets: An Overview.

30 Pringle, John. Ontario's Residential Tenancies: A Statistical Profile.